PENNYRILE AREA DEVELOPMENT DISTRICT

FINANCIAL AND COMPLIANCE AUDIT

June 30, 2014

CALHOUN & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

PENNYRILE AREA DEVELOPMENT DISTRICT
300 HAMMOND DRIVE
HOPKINSVILLE, KENTUCKY 42240

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2014

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PENNYRILE AREA DEVELOPMENT DISTRICT
BOARD OF DIRECTORS

June 30, 2014

Officers
Mayor Gale Cherry, Chair
Judge Rick Newman, Vice Chair
Judge Donnie Carroll, Treasurer
Lori Harper, Secretary
Jason Vincent, Executive Director

Caldwell County
Brock Thomas, Judge / Executive
Gale Cherry, Mayor of Princeton
John Evans, Board Member
Glenda Harper, Board Member

Christian County
Steve Tribble, Judge / Executive
Dan Kemp, Mayor of Hopkinsville
Austin Moss, Board Member
Bernard Standard, Board Member
Lori Harper, Board Member

Crittenden County
Perry Newcom, Judge / Executive
Mark Bryant, Mayor's Designee
Robert B. Frazer, Board Member
Gareth Hardin, Board Member

Hopkins County
Donnie Carroll, Judge / Executive
David Jackson, Mayor of Madisonville
Frank Stafford, Mayor of Mortons Gap
Jenny Sewell, Board Member

Livingston County
Chris Lasher, Judge / Executive
Stanley Wallace, Mayor of Salem
William McGee, Mayor's Representative
Charles Cooper, Board Member
Kim Kraemer, Board Member

Lyon County
Wade White, Judge / Executive
Nancy Slaton, Mayor of Eddyville
Lee McCollum, Mayor of Kuttawa
Denise Sutton, Board Member

Muhlenberg County
Rick Newman, Judge / Executive
Ed DeArmond, Mayor of Greenville
Barry Shaver, Mayor of Central City
Gary Jones, Board Member

Todd County
Daryl Greenfield, Judge / Executive
Nancy Camp, Mayor of Elkton
Scott Marshall, Mayor of Guthrie

Trigg County
Hollis Alexander, Judge / Executive
Lyn Bailey, Mayor of Cadiz
Kim Humphries, Board Member
John Sumner, Board Member

WEST KENTUCKY WORKFORCE INVESTMENT BOARD
BOARD OF DIRECTORS

June 30, 2014

Officers
Clyde Elrod, Chair
Jackie Jones, Vice Chair
Dennis Courtney, Treasurer
Glenda Harper, Secretary

Chief Elected Officials

Van Newberry, Purchase
Gale Cherry, Pennyrile

Partners Agencies

Education Partners
Dr. Brian VanHorn, Purchase
Dr. Pat Lake, Pennyrile

Economic Development Partners
Mark Manning, Purchase
Dan Bozarth, Pennyrile

One-Stop Partners
Jennifer Beck-Walker, WIA Title I
Don Howerton, Adult Education
Lisa Adams, Vocational Rehabilitation
Chad Hunt, Department of the Blind
Nancy Henley, Title V of the Older Americans Act
Judy Peterson, Community Service Block Grant
Vickie Hutcheson, Kentucky Farm Workers
Gina Triplett-Johnston, Office of Employment and Training
Mary Jo Sims, National Older Workers
Dr. Barbara Veazey, Post Secondary Education, Carl Perkins
Karen Robinson, Job Corps

Community Based Organization Partners
Leigh Ann Jarvis, J.U. Kevil Memorial Foundation, Purchase
Vacant, Pennyrile

Community Based Services Partners
Renee Buckingham, Dept. for Community Based Services, Pennyrile
Torey Earle, U.K. Youth Extension Services, Purchase

Business Representatives

Clyde Elrod, Ballard County
Betsy Hudson-Flynn, Marshall County
Dennis Courtney, Calloway County
Phillip Bean, Carlisle County
Bob McNutt, City of Mayfield
Kreg Denton, Hickman County
John Anderson, McCracken County
Crystal Balentine, City of Paducah
David Puckett, City of Benton
Glenda Harper, Caldwell County
Jackie Jones, Christian County
Phil Dunn, City of Hopkinsville
Jeremy Wheeler, Crittenden County
Rob Hitesman, Fulton County
Ben Spears, Hopkins County
Bryan Blount, Todd County
Jill Celaya, Graves County
Vacant, Business at Large
Richard Gorbett, Livingston County
Barbara Williams, Muhlenberg County
Vacant, City of Madisonville
Donnie Holland, Trigg County
Williams (Scott) Smith, Lyon County
Don Fraher, City of Murray

Labor Partners
Jim H. Key, Purchase
Bruce Taylor, Pennyrile

PENNYRILE HOUSING CORPORATION
BOARD OF DIRECTORS

June 30, 2014

Officers
Frank Stafford, Chair
Heath Duncan, Vice Chair
Beth Shemwell, Secretary

Caldwell County
Gale Cherry, Mayor of Princeton
Sandra Morse, Director

Christian County
Shirley Carter, Director
Gertrude Bullock, Director
Tom Wallace, Director

Crittenden County
Todd Perryman, Director
Darrin Tabor, Director

Hopkins County
Heath Duncan, Director
Frank Stafford, Mayor of Mortons Gap
Thomas Sams, Director

Livingston County
Randell O'Bryan, Director
Chris Lasher, Judge / Executive

Lyon County
Lilburn Ann Denney, Director
Gerald Board, Director

Muhlenberg County
Bob Baker, Director
Gary Jones, Director

Todd County
Beth Shemwell, Director
Melissa Reding, Director

Trigg County
Hollis Alexander, Judge / Executive

PENNYRILE DEVELOPMENT AND GOVERNMENTAL CENTER
BOARD OF DIRECTORS

June 30, 2014

Officers
Roger Jeffers, Chair
Ron Johnson, Vice Chair
Cecil Mallory, Secretary / Treasurer

Caldwell County
Sherman Chaudoin

Christian County
Roger Jeffers

Hopkins County
Ron Johnson

Todd County
Cecil Mallory

Trigg County
David Shore

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pennyrile Area Development District
Hopkinsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Pennyrile Area Development District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Pennyrile Area Development District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 – 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennyrile Area Development District's basic financial statements. The Statement of Net Assets – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Assets – Between the Rivers Duplex, the Statement of Activities by Program – Statutory Basis and the individual grant supplemental statements and schedules on pages 42 – 50 are presented for purposes of additional analysis as required by the grantors and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 38 – 39 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, on our consideration of the Pennyrile Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennyrile Area Development District's internal control over financial reporting and compliance.

Calhoun & Company

Hopkinsville, Kentucky
January 8, 2015

Pennyrile Area Development District
a regional planning and development agency

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www.peadd.org email peadd@peadd.org

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The Pennyrile Area Development District ("District") offers this Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2014. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statements provided in this report.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by $3,199,528 at June 30, 2014.
- The District's total net position increased by $85,998 during the year.
- The Fund Balance, a measure of current financial resources, decreased in the governmental funds by $74,732 to a fund balance of $2,837,427 at June 30, 2014. As contract amounts vary from year to year, some of the excess revenues over expenditures have been set aside for administration of future projects. Programs with excess revenues to be used in upcoming fiscal years are listed as follows:
    - Economic Development - $57,377
    - Aging Programs - $18,134

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all District assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Monitoring increases and / or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving, deteriorating, or stagnating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported similar to the approach used by a commercial enterprise in that revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Although the Statement of Activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position* that is essentially the same thing.

The government-wide financial statements can be found on pages 14 – 15 of this report.

Fund Financial Statements

The focus of fund financial statements is directed to specific activities of a governmental entity rather than the entity as a whole. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be categorized into one broad category: governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, however, governmental fund financial statements provide a detailed short-term view of the District's operations by using a modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. Governmental fund information is useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities.

The District maintains three individual governmental funds, all of which are considered major funds by the District. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for each fund. The funds are as follows:

- General Fund – This fund is used to account for all financial transactions not reported in another fund.
- Special Revenue Fund – This fund includes all grant programs and services operated by the District that are restricted for a specific purpose.
- Pennyrile Development and Governmental Center Fund – This fund was put into place to account for the building facilities for the District.

The differences of results in the governmental fund financial statements to those of the government-wide financial statements are explained in a reconciliation following each governmental fund statement.

The basic governmental fund financial statements can be found on pages 16 – 19 of this report.

Notes to the Financial Statements

These notes provide additional information crucial to understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 20 – 37 of this report.

Supplementary Information

In addition to basic financial statements and accompanying notes, GASB 34 requires budgetary comparison schedules for the General Fund that has a legally adopted budget. The District is under no legal requirements to adopt budgets and this information has not been presented.

Supplementary information that is not a required part of the basic financial statements can be found on pages 38 – 50 of this report.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by $3,199,528 at June 30, 2014. The District's Invested in Capital Assets, Net of Related Debt reflects its investment in capital assets less outstanding related debt used to acquire those assets. These assets are not available for future spending. Although the District's capital investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the District's net assets at June 30:

Pennyrile Area Development District Net Position

	Governmental Activities		Component Unit Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Assets						
Current and Other Assets	$ 5,251,407	$ 4,618,022	$ 699,543	$ 609,903	$ 5,950,950	$ 5,227,925
Capital Assets	911,662	911,553	485,239	461,126	1,396,901	1,372,679
Total Assets	6,163,069	5,529,575	1,184,782	1,071,029	7,347,851	6,600,604
Liabilities						
Current and Other Liabilities	1,275,723	599,854	398,772	337,059	1,674,495	936,913
Long-Term Liabilities	1,767,040	1,674,187	792,786	751,247	2,559,826	2,425,434
Total Liabilities	3,042,763	2,274,041	1,191,558	1,088,306	4,234,321	3,362,347
Deferred Inflows of Resources						
Deferred Revenue	-	31,547	-	7,182	-	38,729
Total Deferred Inflows of Resources	-	31,547	-	7,182	-	38,729
Net Position						
Net Investment in Capital Assets	305,761	318,400	(49,443)	(55,500)	256,318	262,900
Restricted:						
Revolving Loan Fund	190,000	190,000	-	-	190,000	190,000
Intermediary Relending Program	545,522	555,556	-	-	545,522	555,556
Mini Loan Fund	25,000	25,000	-	-	25,000	25,000
Unrestricted	2,054,023	2,135,031	42,667	31,041	2,096,690	2,166,072
Total Net Position	$ 3,120,306	$ 3,223,987	$ (6,776)	$ (24,459)	$ 3,113,530	$ 3,199,528

At the end of the fiscal year, the District is able to report positive balances in the Invested in Capital Assets, Net of Related Debt; Restricted Net Assets; and in Unrestricted Net Assets for governmental activities and the government as a whole. The component unit has a negative total net asset balance.

Pennyrile Area Development District Changes in Net Assets

	Governmental Activities		Component Unit Activities	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Revenues				
Program Revenues				
Charges for Services	$ 455,217	$ 453,368	$ 46,063	$ 43,057
Operating Grants and Contributions	6,062,792	5,325,282	6,288,737	5,339,457
Capital Grants and Contributions	-	-	-	-
General Revenues				
Annual Assessments	65,925	64,962	-	-
Interest Earned	12,562	9,169	680	616
Other Revenues	11,310	4,607	63,400	-
Total Revenues	6,607,806	5,857,388	6,398,880	5,383,130
Expenses				
General Government	24,722	21,119	-	-
Community / Economic Development	926,450	1,001,172	-	-
Transportation Services	106,494	122,719	-	-
Aging and Independent Living Services	5,382,238	4,521,126	-	-
Revolving Loan Fund	10,776	11,431	-	-
Intermediary Relending Program	13,869	8,074	-	-
Mini Loan Fund	-	-	-	-
Pennyrile Development & Gov't Center	47,020	42,824	-	-
Pennyrile Housing Corporation	-	-	247,427	234,114
Workforce Investment Board	-	-	6,159,919	5,153,656
Interest on Long-Term Debt	26,301	25,242	14,900	13,043
Total Expenses	6,537,870	5,753,707	6,422,246	5,400,813
Change in Net Position	69,936	103,681	(23,366)	(17,683)
Net Position - Beginning	3,050,370	3,120,306	16,590	(6,776)
Net Position Adjustment	-	-	-	-
Net Position - Ending	$ 3,120,306	$ 3,223,987	$ (6,776)	$ (24,459)

Changes in Net Position – Governmental Activities. The District's governmental activities increased net position by $103,681 in the fiscal year 2014. Key elements of the increase are as follows:

Total revenues were $5,857,388, a decrease of 11% over the prior year. Of this, program revenues represent 99% of total revenues. Major sources of program revenues include various community support funding and grants. General revenues represent 1% of total revenues. Major sources of general revenues include annual assessments and interest income.

Total expenditures were $5,753,707, a decrease of 12% from the previous year. Of this, the major functions include aging services and community and economic development services. Together they comprise 96% of the total program expenditures.

Changes in Net Position – Component Units. The District's two component units, 1) Pennyrile Housing Corporation (PHC) and 2) West Kentucky Workforce Investment Board (WKWIB) are discretely presented within the government-wide financial statements.

1. The PHC's total revenues were $230,042, a decrease of 5% from the prior year. Of this, program revenues represent 100% of total revenues. Charges for services and operating grants and contributions are the major sources of program revenue.

   Expenditures totaled $247,157 a decrease of 6% from the previous year.

2. The WKWIB's total revenues were $5,153,088, a decrease of 16% from the prior year. The WKWIB did not have any general revenues during the 2014 or 2013 fiscal years.

   Expenditures totaled $5,153,655, a decrease of 16% from the previous year.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2014 is $1,372,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Pennyrile Area Development District Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Component Unit Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Land	$ 9,988	$ 9,988	$ -	$ -	$ 9,988	$ 9,988
Buildings and Improvements	1,345,393	1,345,393	647,518	647,518	1,992,911	1,992,911
Office Furniture and Equipment	204,465	224,408	25,506	25,506	229,971	249,914
Computers and Equipment	181,565	194,037	233,889	233,889	415,454	427,926
Vehicles	98,300	103,253	-	-	98,300	103,253
Construction in Progress	-	-	13,748	13,748	13,748	13,748
	1,839,711	1,877,079	920,661	920,661	2,760,372	2,797,740
Less Accumulated Depreciation	(928,049)	(965,526)	(435,422)	(459,536)	(1,363,471)	(1,425,062)
Total Net Capital Assets	$ 911,662	$ 911,553	$ 485,239	$ 461,125	$ 1,396,901	$ 1,372,678

Additional information on the District's capital assets can be found in Note 4 of this report.

LONG TERM DEBT

At year-end, the District had $1,544,927 in outstanding notes and program debt, compared to $1,632,346 at June 30, 2013. The PHC had $751,247 in outstanding notes and program debt, compared to $792,786 at June 30, 2013.

The Pennyrile Development and Governmental Center had $593,153 in outstanding notes at June 30, 2014 compared to $605,901 at June 30, 2013.

During the year, $12,748 was paid to reduce the debt outstanding related to the building addition, $74,671 was paid to reduce re-lending program debts, and $18,057 was paid to reduce the loan for the PHC apartment duplex located in Grand Rivers, Kentucky.

The Pennyrile Housing Corporation's payments to the Kentucky Housing Corporation for the Nonprofit Housing Production loans were $23,480. These 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, 2014.

Additional information on the District's long-term debt can be found in Note 5 of this report.

ECONOMIC FACTORS

During the 2014 fiscal year, the District completed its 45th year of providing leadership on regional issues. The District is actively involved and partnering with other agencies to provide regional planning, review and technical services in areas of public administration, social services, economic and workforce development and transportation to the local Pennyrile communities in Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd and Trigg counties.

Reductions in Federal and State Program funding continue to have a negative impact on the District's funding level. As Congress looks to take action to address long-term deficit reduction, funding for some of the programs operated by the District have been reduced and continue to be targets for federal reductions in the future. In addition, the District is engaged with Legislative and Cabinet level leaders in order to monitor potential shortfalls in state budget funding as well. This District's management continues to make every effort to minimize any negative impact on future operations.

The West Kentucky Workforce Investment Board's allocation funding is partially based on the employment/economic status of the Pennyrile and Purchase regions. As major unemployment events may occur, the WKWIB receives additional grant dollars to provide services to dislocated workers beyond these allocations. The WKWIB has normally participated in several federal direct funded US Department of Labor grants for special services, but funding availability for these programs are also being reduced with limited funds now being offered in competitive solicitations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Pennyrile Area Development District for all those with an interest in the finances. Questions or requests for additional information may be addressed to Jason Vincent, Executive Director, Pennyrile Area Development District or Sheila Clark, Director, West Kentucky Workforce Investment Board, 300 Hammond Drive, Hopkinsville, Kentucky, 42240.

Respectfully Submitted,

Jason Vincent, Executive Director

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government	Component Units	
	Governmental Activities	Pennyrile Housing Corporation	Workforce Investment Board
Assets			
Unrestricted Cash and Cash Equivalents	$ 1,484,094	$ 299,308	$ 5,066
Program Receivables	901,763	38,984	459,066
Due (to) from Other Governments	249,985	(113,469)	(136,516)
Other Current Assets	6,976	-	-
Non-Current Assets			
Certificates of Deposit	826,010	-	-
Notes Receivable, Due Within One Year	153,497	10,139	-
Notes Receivable, Due in More Than One Year	995,697	47,326	-
Depreciable Capital Assets, Net	901,565	447,377	-
Non-Depreciable Capital Assets	9,988	13,748	-
Total Assets	5,529,575	743,413	327,616
Liabilities			
Accounts Payable	461,123	6,243	327,616
Grants Payable	88,824	-	-
Other Current Liabilities	49,907	3,200	-
Non-Current Liabilities			
Accrued Annual Leave	129,260	-	-
Due Within One Year	88,760	41,932	-
Due in More Than One Year	1,456,167	709,315	-
Total Liabilities	2,274,041	760,690	327,616
Deferred Inflows of Resources			
Deferred Revenue	31,547	7,182	-
Total Deferred Inflows of Resources	31,547	7,182	-
Net Position			
Net Investment in Capital Assets	318,400	(55,500)	-
Restricted:			
Revolving Loan Fund	190,000	-	-
Intermediary Relending Program	555,556	-	-
Mini Loan Fund	25,000	-	-
Unrestricted	2,135,031	31,041	-
Total Net Position	$ 3,223,987	$ (24,459)	$ -

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions / Programs	Direct Expenses	Shared Costs Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary Government							
Governmental Activities							
General Government	$ 20,558	$ 561	$ 5,145	$ (30,101)	$ -	$ (46,075)	$ -
Community / Economic Development	809,412	191,760	342,627	693,466	-	34,921	-
Transportation Services	90,834	31,885	-	122,719	-	-	-
Aging and Independent Living Services	4,308,173	212,953	-	4,539,198	-	18,072	-
Revolving Loan Fund	9,286	2,145	16,457	-	-	5,026	-
Intermediary Relending Program	6,209	1,865	31,804	-	-	23,730	-
Mini Loan Fund	-	-	(80)	-	-	(80)	-
Pennyrile Development & Gov't Center	42,824	-	57,415	-	-	14,591	-
Interest on Long-Term Debt	25,242	-	-	-	-	(25,242)	-
Total Governmental Activities	5,312,538	441,169	453,368	5,325,282	-	24,943	-
Total Primary Government	$ 5,312,538	$ 441,169	$ 453,368	$ 5,325,282	$ -	24,943	-
Component Units							
Pennyrile Housing Corporation	206,143	27,971	41,040	188,386	$ -	-	(4,688)
Workforce Investment Board	4,777,657	375,999	2,017	5,151,071	-	-	(568)
Interest on Long-Term Debt	13,043	-	-	-	-	-	(13,043)
Total Component Units	$ 4,996,843	$ 403,970	$ 43,057	$ 5,339,457	$ -	-	(18,299)
				General Revenues			
				Annual Assessments		64,962	-
				Interest Earned		9,169	616
				Other Revenues		4,607	-
				Total General Revenues		78,738	616
				Change in Net Position		103,681	(17,683)
				Net Position - Beginning		3,120,306	(6,776)
				Net Position - Ending		$ 3,223,987	$ (24,459)

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Pennyrile Development & Governmental Center	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 451,969	$ 1,019,181	$ 12,944	$ 1,484,094
Certificates of Deposit	803,516	-	22,494	826,010
Program Receivables	107,492	794,271	-	901,763
Due from Other Governments	375,655	-	-	375,655
Other Current Assets	5,940	1,028	8	6,976
Total Assets	$ 1,744,572	$ 1,814,480	$ 35,446	$ 3,594,498
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	$ 46,672	$ 413,189	$ 1,262	$ 461,123
Grants Payable	-	88,824	-	88,824
Due to Other Governments	-	-	125,670	125,670
Other Current Liabilities	-	49,907	-	49,907
Total Liabilities	46,672	551,920	126,932	725,524
Deferred Inflows of Resources				
Deferred Revenue	12,508	19,039	-	31,547
Total Deferred Inflows of Resources	12,508	19,039	-	31,547
Fund Balances				
Nonspendable:				
Long-term Notes Receivable	-	1,149,194	-	1,149,194
Restricted:				
Revolving Loan Fund	-	190,000	-	190,000
Intermediary Relending Program	-	555,556	-	555,556
Mini Loan Fund	-	25,000	-	25,000
Assigned:				
Accrued Annual Leave	129,260	-	-	129,260
Long-term Debt	-	951,774	593,153	1,544,927
Unassigned	1,556,132	(1,628,003)	(684,639)	(756,510)
Total Fund Balances	1,685,392	1,243,521	(91,486)	2,837,427
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,744,572	$ 1,814,480	$ 35,446	$ 3,594,498

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Total Governmental Funds	$ 2,837,427
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds.	1,149,194
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. More specifically, non-depreciable & depreciable capital assets as reported on the Statement of Net Position.	911,553
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,674,187)
Net Position of Governmental Activities	$ 3,223,987

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Pennyrile Development & Governmental Center	Total Governmental Funds
Revenues				
Charges for Services	$ 347,772	$ 48,181	$ -	$ 395,953
Rent	-	-	57,415	57,415
Grants	-	5,325,282	-	5,325,282
Annual Assessments	64,962	-	-	64,962
Interest Income	5,106	3,820	243	9,169
Other Revenues	4,593	-	-	4,593
Total Revenues	422,433	5,377,283	57,658	5,857,374
Expenditures				
Current				
General Government	21,045	-	1,457	22,502
Community / Economic Development	301,022	699,744	-	1,000,766
Transportation Services	-	122,276	-	122,276
Aging and Independent Living Services	-	4,518,974	-	4,518,974
Revolving Loan Fund	-	11,561	-	11,561
Intermediary Relending Program	-	8,191	-	8,191
Debt Service				
Principal	-	74,671	12,748	87,419
Interest and Other Charges	-	10,058	15,184	25,242
Total Expenditures	322,067	5,445,475	29,389	5,796,931
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,366	(68,192)	28,269	60,443
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	11,000	-	-	11,000
Purchases of Capital Assets	(80,033)	-	-	(80,033)
Payments on Notes Receivable	-	164,331	-	164,331
Issuance of Loan	-	(250,000)	-	(250,000)
Transfers	(306,892)	306,892	-	-
Total Other Financing Sources (Uses)	(375,925)	221,223	-	(154,702)
Net Change in Fund Balances	(275,559)	153,031	28,269	(94,259)
Fund Balances - Beginning	1,941,424	1,090,490	(119,755)	2,912,159
Transfers	19,527	-	-	19,527
Fund Balances - Ending	$ 1,685,392	$ 1,243,521	$ (91,486)	$ 2,837,427

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds		$ (94,259)

Amounts reported for governmental activities in the Statement of Activities are difference because:

Governmental funds report loans issued as other financing uses and payments received as sources. However, in the Statement of Activities, the loan expenditure is recorded as a note receivable and the payments as a reduction of the receivable.

New Loan Issued	$ 250,000	
Less: Payments Received	164,331	
	$ 85,669	85,669

In the statement of activities, only the *gain* on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.

Gain on Sale	$ 14	
Less: Proceeds from Sale	11,000	
	$ (10,986)	(10,986)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. More specifically, this is the amount by which capital outlays exceeded depreciation in the current period.

Statement of Revenues, Expenditures, and Changes in Fund Balances		
Governmental Funds		
Fixed Assets Purchased	$ 80,033	
Less: Depreciation	49,158	
To Reconciliation	$ 30,875	30,875

Bond and note proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal (increases) decreases in debt service made during the year.

New Debt Incurred	$ -	
Retired Debt	87,419	
Net Debt Service	$ 87,419	87,419

In the Statement of Activities, the accrued annual leave earned during the current fiscal year is expensed. However, the governmental funds will show only the amount actually taken during the year. Thus, the change in net position differs from the change in fund balance by the net of the amount taken and the amount earned. 4,963

Change in Net Position of Governmental Activities	$ 103,681

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

1. Summary of Significant Accounting Policies

The financial statements of the Pennyrile Area Development District (the "District") have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

a. The Reporting Entity

The Pennyrile Area Development District (the District) was established under the laws of the Commonwealth of Kentucky by KRS 147A.050(4). The Attorney General in OAG 78-534 held that Area Development Districts are political subdivisions of the Commonwealth of Kentucky. As an Area Development District, the District entered into various agreements, memoranda of agreements and contracts, all of which are subject to the financial management of the District. The District operates under a Board of Directors comprised of a minimum of fifty-one percent elected officials. The County Judge / Executive, at least one mayor and a citizen director from each of the nine counties serve on the Board.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on the application of the criteria set forth by the GASB, the District has determined that there are agencies or entities that should be presented as either discretely presented or blended component units.

Discretely presented component units:

Pennyrile Housing Corporation (PHC) was established to assist low and moderate income families to secure affordable housing.

West Kentucky Workforce Investment Board (WKWIB) was established after the implementation of the Workforce Investment Act (WIA) under the U.S. Department of Labor. The WKWIB supports new business / expansion and assists in the retention of a well-trained workforce in the Western Kentucky region.

Neither PHC nor WKWIB issue separate financial statements. The District provides personnel and facilities to PHC and WKWIB and is reimbursed by the component units for such services. Salary expenditures are directly expensed. All other shared costs are expensed according to the shared cost plan.

1. Summary of Significant Accounting Policies, Continued

a. The Reporting Entity, Continued

Blended component unit:

The *Pennyrile Development and Governmental Center* (PDGC) is considered to be a blended component unit. As such, the activities of the PDGC have been included with the governmental activities of the District. The PDGC was established to provide building facilities for the District.

b. Basis of Presentation

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

c. Basis of Accounting and Measurement Focus

i. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are component unit activities. All of the District's activities are governmental and thus the statements reflect no business-type activities.

These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, as applicable, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of cash flows. The types of transactions reported as program revenues for the District are reported in three categories: charges for services, operating grants and contributions, and capital grants and contributions. Other items not properly included among program revenues are reported instead as general revenues. Gains on the sale of capital assets are reported as general revenues; losses on the sale of capital assets are reported as function / program expenses. The effect of interfund activity has been eliminated from the government-wide financial statements.

1. Summary of Significant Accounting Policies, Continued

c. Basis of Accounting / Measurement Focus, Continued

ii. Fund Financial Statements

Fund financial statements report detailed information about the District. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented, if applicable. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures / expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures / expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The District has the following major governmental funds:

The *General Fund* is the primary operating fund of the District. It is used to account for all activities expect those legally or administratively required to be accounted for in other funds. Any unassigned balances are considered as resources available for use.

The *Special Revenue Fund* is used to account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances may be returned to the grantor at the close of the specified project period, as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

The *Pennyrile Development & Governmental Center* is used to account for the activities of the building facilities. This is a discreetly presented component unit.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that meet those qualifications.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

1. Summary of Significant Accounting Policies, Continued

d. Use of Estimates

The preparation of financial statements, in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

e. Interfund Activity

Transfers are used to reimburse the General Fund for costs incurred to support Special Revenue Fund activity, and to reclassify as Unassigned in the General Fund equity which has been released from restricted due to satisfaction of program requirements. Any interfund transfers are reported as other financing sources / uses in the governmental funds. Short-term amounts owed between funds are classified as "Due to / from Other Governments".

f. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. Short-term investments are those investments with an original maturity of 90 days or less.

Kentucky Revised Statute 66.480 permits the District to invest in U.S. Treasury obligations, U.S. Agency Obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits and the Commonwealth of Kentucky investment pool. As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District is insured by FDIC for up to $250,000 with their bank.

g. Capital Assets

Government-Wide Statements: In the government-wide statements, land, buildings, equipment, and vehicles are accounted for as capital assets in the applicable governmental or component unit activity column. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The District has established a policy of capitalizing assets with an initial, individual cost of more than $5,000, and an estimated useful life in excess of one year.

Capital assets of the District, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	7 - 31.5 Years
Vehicles	3 Years
Office Furniture and Fixtures	5 - 15 Years
Computers and Equipment	3 - 7 Years

1. Summary of Significant Accounting Policies, Continued

g. Capital Assets, Continued

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's life are not capitalized. Land and construction in progress are not depreciated.

The District elects to use the Basic Approach as defined by Statement No. 34 for their capital asset reporting.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

h. Notes Receivable

Notes receivable are stated at the outstanding principal amount net of allowance for uncollectible notes. Management determines the allowance for uncollectible notes based on review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements and are collateralized by promissory notes and security agreements. Management determines when a note receivable is considered delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. Management determined that no allowance for uncollectible notes receivable was necessary at June 30, 2014.

i. Compensated Absences

All full-time employees are entitled to annual leave at the rate of one to five years of service, twelve days per year; six to ten years of service, fifteen days per year; eleven to fifteen years of service, eighteen days per year; sixteen to twenty years of service, twenty-one days per year; and twenty-one or more years of service, twenty-four days per year. Annual leave accrues from the anniversary date of hire on a pro-rated basis. Accrued annual leave is limited to forty days on February 1st of each year. An employee who resigns will be paid for all accumulated annual leave, up to the legal maximum they are permitted to carry over from year to year, provided the employee gives at least fourteen calendar days written notice of their final workday.

Accumulated unpaid annual leave amounts are accrued when incurred in the governmental funds if significant at year-end. At June 30, 2014, these liabilities included $129,260 in annual leave pay.

j. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until that time. The District does not have any of this type of item.

1. Summary of Significant Accounting Policies, Continued

j. Deferred Outflows / Inflows of Resources, Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has $38,729 in deferred inflows of resources for fiscal year ended June 30, 2014 that relates to funds received that relate to a future time period.

k. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. In the fund financial statements, for other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund.

l. Government-Wide Net Position

Government-wide net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is displayed in three components:

Invested in Capital Assets, Net of Related Debt – consists of capital assets net of accumulated depreciation and is reduced by any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted Net Position – consists of net assets that have a third-party (statutory or granting agency) limitation on their use. The District uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District has restricted net assets in the Revolving Loan Fund, Intermediary Relending Program and Mini Loan Fund in the amounts of $190,000, $555,556 and $25,000, respectively.

Unrestricted Net Position – consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". The Board of Directors has the authority to revisit or alter this designation.

m. Governmental Fund Equity

Governmental fund equity is classified as fund balance and is displayed in five components:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors. For fiscal year ended June 30, 2014, $190,000 has been grantor restricted for the Revolving Loan Fund, $555,556 has been grantor restricted for the Intermediary Relending Program, and $25,000 has been grantor restricted for the Mini Loan Fund.

1. Summary of Significant Accounting Policies, Continued

m. Governmental Fund Equity, Continued

Committed – amounts that can only be spent for specific purposes determined by the District's Board of Directors through formal action.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The amounts may be assigned by the Board or management. For the fiscal year ended June 30, 2014, $129,260 has been assigned for future use related to compensated absences and $1,544,927 has been assigned for future long-term debt.

Unassigned – all other amounts not included in other spendable classifications.

n. Prioritization and Use of Available Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

o. Non-exchange Transactions

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, donations and other gifts. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

p. Cost Allocation Plan

The District is required by the Department of Local Government to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins in Note 9. The District is in conformity with 2 CFR Part 225.

q. Fair Value of Financial Instruments

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use on pricing the asset or liability, not on assumptions specific to the entity.

1. Summary of Significant Accounting Policies, Continued

q. Fair Value of Financial Instruments, Continued

Cash and cash equivalents, certificates of deposit, receivables, other current assets, other non-current assets, accounts and grant payables, other current liabilities, and non-current liabilities – The carrying amounts reported in the balance sheets for these items are a reasonable estimate of the fair value.

r. Date of Management Review

In preparing these financial statements, the District has evaluated the events and transactions for potential recognition or disclosure through January 8, 2015 the date the financial statements were available to be issued.

2. Budgetary Information

The District is not required to adopt a legally binding budget for its various funds. The District follows the general practice of adopting program budgets; however, any combining of such budgets to present a comparison of the District's overall operations would not be meaningful and would be unduly complex. The WKWIB is required to adopt a legally binding contract budget.

3. Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of deposits. The District's deposits, including certificates of deposit, were insured or collateralized as required by State statutes at their highest daily balance during the fiscal year.

The District is exposed to custodial credit risk at various points throughout the year. The District's deposits not covered by depository insurance are collateralized by pledged securities held by the financial institution.

As of the high cash day for the fiscal year ended June 30, 2014, the amount of deposits collateralized by depository insurance and pledged securities is as follows:

	Bank Balance	Depository Insurance	Pledged Securities	(Over) / Under Collateralized
Governmental Activities	$ 3,604,244	$ 500,000	$ 3,965,000	$ (860,756)
Blended Component Unit - PDGC	$ 62,269	$ 250,000	$ -	$ (187,731)
Component Unit - PHC	$ 278,210	$ 500,000	$ -	$ (221,790)
Component Unit - WKWIB	$ 437,102	$ 250,000	$ 1,320,000	$ (1,132,898)

4. Capital Assets

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-Wide Statement of Net Position. Capital asset activity of the governmental activities for the year ended June 30, 2014, consisted of the following:

	Balance June 30, 2013	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2014
Governmental Activities				
Land	$ 9,988	$ -	$ -	$ 9,988
Buildings and Improvements	1,345,393	-	-	1,345,393
Office Furniture and Equipment	204,465	19,943	-	224,408
Computers and Equipment	181,565	12,472	-	194,037
Vehicles	98,300	47,618	42,665	103,253
Total	1,839,711	80,033	42,665	1,877,079
Less Accumulated Depreciation	(928,049)			(965,526)
Total Governmental Activities	$ 911,662			$ 911,553

A summary of the component units fixed asset transactions for the year ended June 30, 2014, follows:

	Balance June 30, 2013	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2014
Component Unit Activities				
Buildings and Improvements	$ 647,518	$ -	$ -	$ 647,518
Office Furniture and Equipment	25,506	-	-	25,506
Computers and Equipment	233,889	-	-	233,889
Construction in Progress	13,748	-	-	13,748
Total	920,661	-	-	920,661
Less Accumulated Depreciation	(435,422)			(459,536)
Total Component Unit Activities	$ 485,239			$ 461,125

4. Capital Assets, Continued

For the year ended June 30, 2014, depreciation on capital assets was charged to the government functions as follows:

General	$ 9
Community / Economic Development	3,371
Transportation Services	548
Aging Services	3,790
Revolving Loan Fund	39
Intermediary Relending Program	34
Pennyrile Development and Gov't Center	41,367
Workforce Investment Board	7,347
Pennyrile Housing Corporation	24,040
Total Depreciation Expense	$ 80,545

5. Non-Current Liabilities

The District's non-current liabilities include compensated absences and notes and leases payable. The following is a summary of non-current liability transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Transfers, Issues, or Additions	Transfers, Payments, or Expenditures	Balance June 30, 2014
Governmental Activities				
Notes and Leases Payable	$ 1,632,346	$ -	$ 87,419	$ 1,544,927
Compensated Absences	134,694	117,481	122,915	129,260
Total Governmental Activities	1,767,040	117,481	210,334	1,674,187
Component Unit Activities				
Notes and Leases Payable	792,786	-	41,539	751,247
Total Component Unit Activities	792,786	-	41,539	751,247
Total Non-Current Liabilities	$ 2,559,826	$ 117,481	$ 251,873	$ 2,425,434

5. Non-Current Liabilities, Continued

Non-current liabilities at June 30, 2014, are comprised of the following:

Governmental Activities

Notes and Leases Payable	Interest Rate	Final Maturity Date	Balance End of Year
USDA	1.00%	2027	$ 951,774
Kentucky Association of Counties	3.86%	2037	593,153
Total Governmental Activities			1,544,927

Component Units

Notes and Leases Payable	Interest Rate	Final Maturity Date	Balance End of Year
Kentucky Housing Corporation	1.00%	2017	$ 4,378
Kentucky Housing Corporation	1.00%	2018	5,367
Kentucky Housing Corporation	1.00%	2019	7,578
Kentucky Housing Corporation	1.00%	2019	16,799
Kentucky Housing Corporation	1.00%	2020	13,268
Kentucky Housing Corporation	1.00%	2021	28,128
Kentucky Housing Corporation	1.00%	2022	28,856
Kentucky Housing Corporation	1.00%	2023	32,675
Kentucky Housing Corporation	1.00%	2024	29,073
Kentucky Housing Corporation	1.00%	2025	24,597
Kentucky Housing Corporation	1.00%	2026	7,330
Kentucky Housing Corporation	1.00%	2027	6,596
Kentucky Housing Corporation	1.00%	2031	29,977
Kentucky Housing Corporation	2.00%	2036	516,625
Total Component Units			751,247
Total Long-Term Debt			$ 2,296,174

5. Non-Current Liabilities, Continued

The annual requirements to retire debt are as follows:

Governmental Activities

Year	Principal	Interest	Total Debt Service
Notes Payable			
2015	$ 75,458	$ 9,442	$ 84,900
2016	76,213	8,687	84,900
2017	76,975	7,925	84,900
2018	77,745	7,155	84,900
2019	78,522	6,378	84,900
2020-2024	445,952	19,953	465,905
2025-2029	120,909	1,853	122,762
Total Notes Payable	951,774	61,393	1,013,167
Leases Payable			
2015	13,302	25,274	38,576
2016	13,836	24,741	38,577
2017	14,467	24,110	38,577
2018	15,090	23,487	38,577
2019	15,745	22,832	38,577
2020-2024	89,421	103,462	192,883
2025-2029	110,459	82,423	192,882
2030-2034	136,404	56,479	192,883
2035-2039	184,429	17,463	201,892
Total Leases Payable	593,153	380,271	973,424
Total Notes and Leases Payable	$ 1,544,927	$ 441,664	$ 1,986,591

5. Non-Current Liabilities, Continued

Component Units
Notes Payable

Year	Principal	Interest	Total Debt Service
2015	$ 41,932	$ 12,642	$ 54,574
2016	42,309	12,057	54,366
2017	42,748	11,414	54,162
2018	43,167	10,799	53,966
2019	42,489	12,555	55,044
2020-2024	192,842	39,236	232,078
2025-2029	145,146	26,723	171,869
2030-2034	133,704	13,637	147,341
2035-2039	66,910	1,683	68,593
Total Notes Payable	751,247	140,746	891,993
Total Governmental and Component Activities	$ 2,296,174	$ 582,410	$ 2,878,584

Of the three funds the District maintains, the General Fund and the Pennyrile Development and Governmental Center are the funds used to meet the obligations of the general debt activities.

The lease payable is considered to be a capital lease. The lease was to fund the construction of a building addition to the District's facilities. The original purchase price was $803,027 and the present value of the minimum lease payments is $593,153 at June 30, 2014.

6. Pension Plan

The District participates in the County Employees Retirement System (CERS), a component unit of the Commonwealth of Kentucky, cost-sharing multiple employer defined benefit plan and in a 401-k profit sharing plan. The 401-k profit sharing plan allows the employees of the District to defer a portion of their covered compensation (subject to the provisions of the Employee Retirement Income Security Act of 1974 – ERISA). The District does not contribute to this plan.

CERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under the provisions of the KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. The CERS report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

CERS plan members are required to contribute 5.0% of employees' covered salaries. Plan members hired after September 1, 2008 are required to contribute an additional 1% contribution to a health insurance account. The District is required to contribute to CERS. The contribution rate is actuarially determined. The current rate for CERS is 18.89% of employees' annual covered payroll. The contribution requirements of the plan members, the District and the Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District contributed $351,421 to CERS for the year ending June 30, 2014, $338,649 for 2013, and $317,690 for 2012.

7. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured under a public entity risk pool for these types of risk, including workers' compensation. In accordance with Kentucky Revised Statute 304.48-250, if the assets of the liability insurance group (pool) are at any time insufficient to enable the group to discharge its legal liabilities, other obligations, and to maintain the required reserves, the pool shall immediately levy an additional assessment upon all members of the pool for the amount necessary to make up the deficiency. The District reduces the risk of loss by purchasing commercial liability insurance. No additional assessments have resulted for the liability insurance or workers' compensation insurance in any of the past three fiscal years.

8. Contingencies

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. To the extent that the District has not complied with the rules and regulations governing these grants, refunds of any money received may be impaired. Based on prior experience, management believes the District will not incur significant losses from possible grant disallowances. Amounts that management anticipates will be refunded are included in grants payable.

The District passes a significant portion of the state and federal grant funds it receives through to subrecipients. The District monitors the activities of the subrecipients and requires that applicable subrecipients have financial and compliance audits performed. To the extent that audits of subrecipients indicate failures to comply with applicable grant requirements, the District assesses the likelihood of grant refunds payable as a result of such noncompliance, and records a liability for amounts management deems to be in excess of amounts recoverable from the subrecipient. Management also assesses the likelihood of noncompliance by subrecipients that have not yet submitted audited results and, to the extent material amounts are believed by management to be refundable, amounts in excess of what management deems recoverable from the subrecipient, is recognized as a liability of the District. Continuation of the District's programs is predicated by the grantor's satisfaction that the funds are being spent as intended and the grantors' intent to continue their programs.

9. Cost Allocation Plan

The District allocates shared costs according to the cost allocation plan. The plan is calculated according to a monthly salary allocation ratio that is calculated for each applicable program. The shared costs are made up of the costs determined to be indirect costs incurred on behalf of all programs.

Operating expenses of the Pennyrile Area Development District are charged as either direct program costs or indirect costs on behalf of all programs. Direct charges to a particular program are as defined in OMB Circulars, A-87, A-102, and A-133, which can be identified specifically with a particular program objective. The criteria as used by the Pennyrile District in determining direct and indirect costs are as follows:

A. Salaries and Wages
   a. Direct Costs – The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization. The charges are supported by auditable labor distribution reports which reflect the actual activities of the employees.

   b. Indirect Costs – The following staff members charge 100% of their salary costs indirectly.
      i. Executive Director
      ii. Executive Assistant
      iii. Office Manager

   c. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities:
      i. Administrative Officer
      ii. Receptionist
      iii. Computer Manager

9. Cost Allocation Plan, Continued

The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs, they are indirect. When functions are specific to one or more programs they are direct because they do not benefit all programs. Auditable labor distribution records which reflect the actual activities of employees are maintained to support the mix of direct / indirect charges.

d. Release time costs (vacation leave earned, sick leave used, and paid holidays) are considered part of salary costs. Since such costs are part of salary, the recipient does not claim release time as separate charges. Pennyrile ADD's records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is treated as a cost incurred during the period the leave is earned.

B. Fringe Benefits

The District contributes the following fringe benefits for its employees:

- Federal Insurance Contributions Act (Social Security and Medicare)
- Unemployment Insurance
- Health, Dental and Vision Insurance
- Disability Insurance
- Employee Discretionary Insurance Coverage
- Kentucky Retirement System
- Worker's Compensation Insurance
- Life Insurance
- Annual Leave

Since the district's accounting system tracks fringe benefits costs by individual employee and charges those costs directly or indirectly in the same manner as salary and wage costs are recorded, the district does not need to have a fringe benefit rate established.

In accordance with the OMB Circular A-87, Attachment B (11)(d)(3), payments to separating employees for unused leave are treated as indirect costs when computing the indirect cost rate. Payments to separating employees for unused leave are not charged as direct costs to any federal awards.

C. Travel

Travel costs are charged either as direct or indirect depending upon the predominant purpose of the trip. Auditable travel vouchers support all claimed travel costs. Travel costs are normally limited to those allowable under the Federal Travel Regulations. The District identifies unallowable travel costs (e.g., most first class airfare, excessive lodging costs, and alcoholic beverages) and does not charge them as direct to federal awards or as indirect to any indirect cost pool.

D. Consultant Contracts

All consultant contracts whose content is directly attributed to specific work elements are to be charged as a direct cost of the program(s) in which they apply.

9. Cost Allocation Plan, Continued

E. Printing and Duplicating
All printing and duplicating costs which are directly attributable to documents within a specific work element are to be charged as a direct cost. This specifically applies to any printing, which is necessary on required plans and reports. All miscellaneous printing costs are to be charged as indirect service costs.

F. Postage
All postage costs, which are directly attributable to a specific work element, are to be charged as a direct cost. All postage not identifiable with a specific program is considered an indirect cost.

G. Audit Fees
The Pennyrile Area Development District's audit cost for the Agency's annual overall audit with details by specific program are to be charged as a shared administrative cost; except in the case of a specific program or grant requiring a special audit report in which case these fees should be charged against that specific program or grant.

H. Building Rental
All building rental or depreciation and the associated utilities costs is to be charged as a shared service cost.

I. Equipment Rental / Purchases
Depreciation charges, rentals, and usage costs of equipment are generally charged as shared service costs. In some instances, if allowable, depreciation charges, rentals, and usage costs may be charged as a direct cost to the applicable program element. Equipment purchases are not charged as shared costs.

For fiscal year ended June 30, 2014, the shared cost categories that were allocated to all of the programs are as follows:

Salaries	$ 312,836
Employee Benefits	165,628
Annual Leave	23,254
Travel	54,589
Duplicating	4,081
Postage	5,068
Depreciation	15,067
Other Indirect Costs	264,616
Total Shared Cost	$ 845,139

10. New GASB Standards

In fiscal year ended June 30, 2014, the District needs to consider the effect of implementing GASB Statement No. 67, "Financial Reporting for Pension Plans" and Statement No. 68, "Accounting and Financial Reporting for Pensions". These statements reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 addresses financial reporting for state and local government pension plans, while Statement No. 68 addresses the measurement and recording of pension costs, including those for participants in the multi-employer plans.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pension in important ways. It is designed to improve the decision / usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments.

Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined. Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all governments in the plan.

Statement No. 67 takes effect for pension plans with a fiscal year beginning after June 15, 2013 (that is for fiscal year ending June 30, 2014 or later). The implementation of this Statement does not have any impact on the District's financial statements.

Statement No. 68 will take effect for pension plans in fiscal years beginning after June 15, 2014. The impact of this statement will be disclosed in fiscal year ended June 30, 2015.

10. Subsequent Events

In November 2014, Pennyrile Housing Corporation filed a foreclosure lawsuit concerning the default status of a mortgage loan. The amount that Pennyrile Housing Corporation would be liable for is $825.

After June 30, 2014, a loan issue from the Mini Loan Fund was written off as uncollectible. The loan amount of $12,351 is still listed as receivable in the financial statements.

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Agriculture			
Passed-Through Rural Development			
Intermediary Relending Program (Note 2)	10.767	DO-94-213	$ 986,796
Rural Business Enterprise Grants	10.769	MOA*	71,732
Total U.S. Department of Agriculture			1,058,528
U. S. Department of Commerce			
Passed-Through Department for Local Government			
Joint Funding Administration	11.302	MOA*	84,330
Passed-Through Economic Development Administration			
Economic Development Technical Assistance	11.306	04-06-06569	8,782
Economic Adjustment Assistance	11.307	04-79-06751	216,268
Economic Adjustment Assistance (RLF) (Note 2)	11.307	04-79-06079	471,421
Total U.S. Department of Commerce			780,801
U. S. Department of Health and Human Services			
Passed-Through Kentucky Cabinet for Health and Family Services			
Aging Cluster			
Title III Part B - Support Services	93.044	PON2 725 1300002005 4	271,242
Title III Part C - Nutrition Services	93.045	PON2 725 1300002005 4	497,277
Nutrition Services Incentive	93.053	PON2 725 1300002005 4	116,669
Total Aging Cluster			885,188
Title III Part D - Disease Prevention	93.043	PON2 725 1300002005 4	15,880
Title III Part E - Caregiver Support	93.052	PON2 725 1300002005 4	110,340
Aging and Disability Resource Center	93.048	PON2 725 1300002026 2	2,300
Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations	93.779	PON2 725 1300002026 2	46,100
Medical Assistance Program	93.778	MOA*	64,100
Title VII - Ombudsman	93.042	PON2 725 1300002005 4	6,766
Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON2 725 1300002005 4	3,855
Assistance Programs for Chronic Disease Prevention & Control	93.945	PON2 725 1300002026 2	3,000
Public Health Emergency Preparedness	93.069	PON2 725 1300002026 2	2,910
Chronic Disease Self-Management Education	93.725	PON2 725 1300002026 2	9,553
State Planning & Establishment Grants for the Affordable Care Act Exchanges	93.525	PON2 725 1300002026 2	43,002
Medicare Enrollment Assistance Program	93.071	PON2 725 1300002026 2	51,406
Total U.S. Department of Health and Human Services			1,244,400
U.S. Department of Homeland Security			
Passed-Through Kentucky Office of Homeland Security			
Citizens Corp Personnel	97.067	PO2 094 140000399 1	17,450
Total U.S. Department of Homeland Security			17,450

The accompanying notes are an integral part of this schedule.

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed-Through Kentucky Housing Corporation			
Home Investment Partnerships Program	14.239	MOA*	72,639
Passed-Through Kentucky Department for Local Government			
Neighborhood Stabilization Program	14.228	09N-019 /14N-019	8,356
Total U.S. Department of Housing and Urban Development			80,995
U.S. Department of Labor			
Passed-Through Kentucky Cabinet for Health and Family Services			
Senior Community Service Employment Title V Aging	17.235	PON2 725 1300002005 4	175,085
WIA Cluster (Note 3)			
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training			
Workforce Investment Act Adult	17.258	27012	19,894
Workforce Investment Act Adult	17.258	27013	2,591
Workforce Investment Act Adult	17.258	27313	529,888
Workforce Investment Act Adult	17.258	27014	25,780
Workforce Investment Act Adult	17.258	27314	683,412
Workforce Investment Act Youth Activities	17.259	27413	320,498
Workforce Investment Act Youth Activities	17.259	27414	549,982
Workforce Investment Act Dislocated Worker	17.278	27112	60,026
Workforce Investment Act Dislocated Worker	17.278	27213	43,500
Workforce Investment Act Dislocated Worker	17.278	27113	1,037,576
Workforce Investment Act Dislocated Worker	17.278	27214	82,069
Workforce Investment Act Dislocated Worker	17.278	27114	1,076,726
Total WIA Cluster			4,431,942
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training (Note 3)			
Workforce Investment Act National Emergency Grants	17.277	258DW13	309,012
Trade Adjustment Assistance	17.245	20512	410,117
Total U.S. Department of Labor			5,326,156
U.S. Department of Transportation			
Passed-Through Kentucky Transportation Cabinet			
Highway Planning and Construction	20.205	PO2-625 140002201	13,745
Total U.S. Department of Transportation			13,745
Delta Regional Authority			
Passed-Through Department for Local Government			
Delta Regional Authority Act - Technical Assistance	90.200	SF424	18,379
Total Delta Regional Authority			18,379
Total Federal Award Expenditures			$ 8,540,454

* Memorandum of Agreement (MOA)

The accompanying notes are an integral part of this schedule.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented on the statutory basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non Profit Organizations." Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Federal Expenditure Reconciliation

The District participates in certain federal programs that involve the loaning of monies to third parties. In accordance with OMB Circular A-133, federal expenditures reflected in this schedule include the value of new loans made during the year plus: the federal share of loans outstanding, cash, and administrative costs incurred during the fiscal year.

Federal Revenues	$ 7,090,156
Unspent Federal Revenues	(7,919)
Intermediary Relending Program	986,796
RLF Project Funds	471,421
Federal Expenditures	$ 8,540,454

3. WKWIB Reconciliation

The following reconciles the Division of Workforce Services Drawdown Records to the Workforce Investment Act Revenue and Expenditures reported on the Schedule:

Kentucky Education and Workforce Development Cabinet	$ 5,154,491
Increases (Decreases)	
Deferred Revenue 06/30/14	(3,420)
Workforce Investment Board Expenditures	$ 5,151,071

4. Subrecipients

Of the federal expenditures presented in the schedule, Pennyrile Area Development District provided federal awards to the following subrecipients:

Subrecipient	Program Title	Amount Provided
Pennyrile Allied Community Services, Inc.	Title III	$ 643,529
	SHIP	43,855
	Title V - Senior Community Service Employment Program	162,829
	USDA	116,669
	Chronic Disease Self-Management Education	2,500
	Medicare Enrollment Assistance Program	36,628
	Subrecipient Total	$ 1,006,010
Kentucky Legal Aid	Title III	$ 16,875
	Subrecipient Total	$ 16,875
Purchase Area Development District	WIA Funds	$ 872,139
	Subrecipient Total	$ 872,139

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
BETWEEN THE RIVERS DUPLEX
JUNE 30, 2014

Assets		
Accounts Receivable	$	5,325
Non-Current Assets		
Depreciable Capital Assets, Net		447,377
Total Assets		452,702
Liabilities		
Accounts Payable		150
Other Current Liabilities		19,643
Non-Current Liabilities		
Due Within One Year		18,427
Due in More Than One Year		498,198
Total Liabilities		536,418
Net Position		
Net Investment in Capital Assets		(69,248)
Unrestricted		(14,468)
Restricted		-
Total Net Position	$	(83,716)

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BETWEEN THE RIVERS DUPLEX
FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenues		
Rent	$	34,947
Other Revenues		2,200
Total Operating Revenues		37,147
Operating Expenses		
Salaries		667
Annual Leave		63
Employee Benefits		411
Travel		430
Depreciation		23,546
Other Direct Costs		18,414
Indirect Costs Applied		433
Total Operating Expenses		43,964
Operating Income		(6,817)
Non-Operating Revenues (Expenses)		
Interest Expense		(10,675)
Total Non-Operating Revenues (Expenses)		(10,675)
Change in Net Position		(17,492)
Net Position - Beginning		(66,224)
Net Position - Ending	$	(83,716)

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

		Aging						
	Unrestricted Local Operations	Title III Administration	Title III Supportive Services	Mental Health & Aging Coalition	Title III Disease Prevention	Title III Congregate Meals	Title III Home Delivered Meals	Federal Caregiver Services
Revenues								
Federal	$ -	$ 80,427	$ 246,452	$ -	$ 15,880	$ 274,908	$ 176,796	$ 100,276
State	-	35,822	64,730	-	3,243	68,839	43,869	32,397
Local								
Annual Assessments	64,962	-	-	-	-	-	-	-
Interest Income	5,106	-	-	-	-	-	-	-
Local Match	(11,576)	-	-	-	-	-	-	1,028
Local Applied to Grants	(18,525)	2	-	-	-	-	-	1,987
Other Revenues	4,607	-	-	1,996	-	-	-	-
Program Income	-	-	27,924	-	-	49,340	145,914	-
In-Kind Revenue	-	-	3,673	-	49,616	-	-	-
Total Revenues	44,574	116,251	342,779	1,996	68,739	393,087	366,579	135,688
Expenditures								
Direct Expenditures								
Salaries	-	42,923	18,004	-	-	-	-	28,238
Employee Benefits	-	24,119	7,898	-	-	-	-	13,237
Annual Leave	-	2,729	943	-	-	-	-	1,463
Travel	-	8,412	2,783	-	-	-	-	2,350
Contracted Services	-	-	268,888	-	19,123	343,747	220,665	71,424
Duplicating	-	1,415	413	-	-	-	-	786
Postage	-	1,169	183	-	-	-	-	650
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	18,674	8,613	1,725	1,996	-	-	-	1,093
In-Kind Expenditures	-	-	31,597	-	49,616	49,340	145,914	-
Total Direct Expenditures	18,674	89,380	332,434	1,996	68,739	393,087	366,579	119,241
Shared Costs Applied	-	26,871	10,345	-	-	-	-	16,447
Total Expenditures	18,674	116,251	342,779	1,996	68,739	393,087	366,579	135,688
Excess of Revenues Over (Under) Expenditures	$ 25,900	$ -	$ -	$ -	$ -	$ -	$ -	$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

	Aging							
	Elder Abuse	Title VII Ombudsman	USDA	Personal Care Attendant	Title V Senior Employment	Chronic Disease Self Management	Health Benefits Exchange	State Caregiver Services
Revenues								
Federal	$ 3,855	$ 6,766	$ 116,669	$ -	$ 175,085	$ 9,553	$ 43,002	$ -
State	-	-	-	95,044	-	-	-	80,000
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	679	1,195	-	-	-	-	-	-
Local Applied to Grants	54	135	-	38	19	249	-	303
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	-	-	2,341	-	19,454	-	-	-
Total Revenues	4,588	8,096	119,010	95,082	194,558	9,802	43,002	80,303
Expenditures								
Direct Expenditures								
Salaries	2,001	3,530	-	3,813	5,524	3,141	16,575	23,694
Employee Benefits	874	1,542	-	2,111	2,963	1,529	8,423	5,885
Annual Leave	95	167	-	241	368	214	897	202
Travel	185	326	-	82	3	190	2,193	326
Contracted Services	-	-	116,669	86,435	162,829	2,500	-	37,277
Duplicating	94	166	-	-	-	-	511	109
Postage	42	74	-	58	-	-	66	619
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	146	260	-	17	43	336	4,323	346
In-Kind Expenditures	-	-	2,341	-	19,454	-	-	-
Total Direct Expenditures	3,437	6,065	119,010	92,757	191,184	7,910	32,988	68,458
Shared Costs Applied	1,151	2,031	-	2,325	3,374	1,892	10,014	11,845
Total Expenditures	4,588	8,096	119,010	95,082	194,558	9,802	43,002	80,303
Excess of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

	Aging							
	MIPPA ADRC	Disability Resource Center	Arthritis Grant	MIPPA SHIP	MIPPA AAA	Adult Daycare	Consumer Directed Options	Traumatic Brain Injury
Revenues								
Federal	$ 6,956	$ 2,300	$ 3,000	$ 36,628	$ 11,500	$ -	$ 64,100	$ -
State	-	-	-	-	-	114,483	730,922	450,645
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	62	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	187	-	182	-	-	92	-	-
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	7,143	2,300	3,182	36,628	11,500	114,575	795,084	450,645
Expenditures								
Direct Expenditures								
Salaries	3,030	897	1,424	-	3,306	5,673	97,937	5,910
Employee Benefits	1,242	499	701	-	1,353	3,218	43,409	2,023
Annual Leave	123	57	95	-	135	355	4,747	281
Travel	748	297	71	-	746	379	13,686	-
Contracted Services	-	-	-	36,628	-	101,429	557,294	437,278
Duplicating	179	-	-	-	179	-	1,020	9
Postage	-	-	-	-	-	-	1,573	331
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	166	-	23	-	263	26	4,713	1,602
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	5,488	1,750	2,314	36,628	5,982	111,080	724,379	447,434
Shared Costs Applied	1,655	550	868	-	1,840	3,495	56,249	3,211
Total Expenditures	7,143	2,300	3,182	36,628	7,822	114,575	780,628	450,645
Excess of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ 3,678	$ -	$ 14,456	$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

	Aging							
	Functional Assessment Services Team	State Long-Term Care Ombudsman	SHIP	Homecare Services	Joint Funding Administration	Delta Regional Authority	EDA Planning	Citizens Corp
Revenues								
Federal	$ 2,910	$ -	$ 46,100	$ -	$ 84,330	$ 18,379	$ 8,782	$ 17,450
State	-	56,122	-	974,022	130,889	-	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	-	902	314	-	6,415	-	-	-
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	36,979	-	-	-	-
In-Kind Revenue	-	-	3,318	17,976	-	-	-	-
Total Revenues	2,910	57,024	49,732	1,028,977	221,634	18,379	8,782	17,450
Expenditures								
Direct Expenditures								
Salaries	1,187	24,908	1,162	70,350	94,729	7,630	3,494	4,478
Employee Benefits	582	10,881	608	37,711	46,866	3,382	1,853	1,040
Annual Leave	52	1,181	74	4,065	6,026	487	181	17
Travel	349	2,301	1	8,615	13,132	1,695	307	102
Contracted Services	-	-	43,855	775,003	-	-	-	-
Duplicating	-	1,172	-	923	1,721	547	-	422
Postage	-	519	-	801	636	177	6	8
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	97	1,729	9	33,445	2,228	-	750	9,235
In-Kind Expenditures	-	-	3,318	54,955	-	-	-	-
Total Direct Expenditures	2,267	42,691	49,027	985,868	165,338	13,918	6,591	15,302
Shared Costs Applied	643	14,333	705	43,109	56,296	4,461	2,191	2,148
Total Expenditures	2,910	57,024	49,732	1,028,977	221,634	18,379	8,782	17,450
Excess of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

	Local Economic Development	EDA Ag Mapping	MSU Internship	Water Management/ Resources	PSWMA HHW Grant	Mini Loan Fund	Revolving Loan Fund	Intermediary Relending Program
Revenues								
Federal	$ -	$ 216,268	$ -	$ -	$ -	$ -	$ -	$ -
State	-	27,338	-	99,125	9,912	-	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	(80)	16,397	35,022
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	265	-	-	2,105	-	-	-	-
Other Revenues	335,678	-	6,949	-	-	-	600	-
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	335,943	243,606	6,949	101,230	9,912	(80)	16,997	35,022
Expenditures								
Direct Expenditures								
Salaries	137,748	7,625	4,500	43,931	-	-	3,550	3,066
Employee Benefits	59,796	2,511	384	21,998	-	-	1,712	1,498
Annual Leave	7,978	400	-	2,486	-	-	235	207
Travel	12,295	120	-	4,870	-	-	1,451	1,425
Contracted Services	-	228,901	-	-	9,912	-	-	-
Duplicating	355	2	-	196	-	-	-	-
Postage	110	3	-	355	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	10,058
Other Direct Costs	3,151	15	-	1,382	-	-	2,338	13
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	221,433	239,577	4,884	75,218	9,912	-	9,286	16,267
Shared Costs Applied	79,589	4,029	2,065	26,012	-	-	2,145	1,865
Total Expenditures	301,022	243,606	6,949	101,230	9,912	-	11,431	18,132
Excess of Revenues Over (Under) Expenditures	$ 34,921	$ -	$ -	$ -	$ -	$ (80)	$ 5,566	$ 16,890

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

	Between the Rivers Duplex	Neighborhood Stabilization Program	Home GAP Financing	Pennyrile Housing Corporation	Home Ownership Counseling	Pennyrile Dev. & Gov't Center	Computer Services
Revenues							
Federal	$ -	$ 8,356	$ 76,880	$ -	$ -	$ -	$ -
State	-	-	-	-	650	-	-
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	4,369	-	243	-
Local Match	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	-	-	-	-
Other Revenues	37,147	-	-	102,640	-	57,415	5,145
Program Income	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-
Total Revenues	37,147	8,356	76,880	107,009	650	57,658	5,145
Expenditures							
Direct Expenditures:							
Salaries	667	697	-	41,962	167	-	995
Employee Benefits	411	362	-	25,717	101	-	487
Annual Leave	63	57	-	3,673	17	-	102
Travel	430	102	-	3,336	149	-	120
Contracted Services	-	6,704	72,630	-	-	-	-
Duplicating	-	-	2	149	-	-	2
Postage	-	-	7	68	-	-	35
Depreciation	23,546	-	-	-	-	41,367	-
Interest	10,675	-	-	2,368	-	15,184	-
Other Direct Costs	18,414	-	-	6,713	-	1,457	143
In-Kind Expenditures	-	-	-	-	-	-	-
Total Direct Expenditures	54,206	7,922	72,639	83,986	434	58,008	1,884
Shared Costs Applied	433	434	-	26,983	121	-	561
Total Expenditures	54,639	8,356	72,639	110,969	555	58,008	2,445
Excess of Revenues Over (Under) Expenditures	$ (17,492)	$ -	$ 4,241	$ (3,960)	$ 95	$ (350)	$ 2,700

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

	Regional Transportation	Highway Signs Inventory	Local Road Updates	Rural Business Enterprise	Workforce Investment Board	Shared Cost Allocation	Total
Revenues							
Federal	$ -	$ -	$ 13,745	$ 71,732	$ 5,151,071	$ -	$ 7,090,156
State	78,067	13,997	3,436	-	-	-	3,113,552
Local							-
Annual Assessments	-	-	-	-	-	-	64,962
Interest Income	-	-	-	-	-	-	61,119
Local Match	8,674	-	-	-	-	-	-
Local Applied to Grants	4,800	-	-	476	-	-	-
Other Revenues	-	-	-	-	2,017	-	554,194
Program Income	-	-	-	-	-	-	260,157
In-Kind Revenue	-	-	-	-	-	-	96,378
Total Revenues	91,541	13,997	17,181	72,208	5,153,088	-	11,240,518
Expenditures							
Direct Expenditures							
Salaries	45,522	7,441	8,961	24,874	700,047	312,836	1,818,147
Employee Benefits	15,079	1,324	2,902	12,977	262,955	165,628	799,791
Annual Leave	3,609	-	442	1,328	43,425	23,254	112,471
Travel	2,330	1,673	519	3,047	92,199	54,589	237,934
Contracted Services	-	-	-	10,340	3,534,782	-	7,144,313
Duplicating	493	-	-	-	11,533	4,081	26,479
Postage	161	-	-	5	1,809	5,068	14,533
Depreciation	-	-	-	-	-	15,067	79,980
Interest	-	-	-	-	-	-	38,285
Other Direct Costs	336	42	-	4,668	130,339	264,616	525,485
In-Kind Expenditures	-	-	-	-	-	-	356,535
Total Direct Expenditures	67,530	10,480	12,824	57,239	4,777,089	845,139	11,153,953
Shared Costs Applied	24,011	3,517	4,357	14,969	375,999	(845,139)	-
Total Expenditures	91,541	13,997	17,181	72,208	5,153,088	-	11,153,953
Excess of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ 86,565

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

To the Board of Directors of
Pennyrile Area Development District
Hopkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Pennyrile Area Development District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Pennyrile Area Development District's basic financial statements and have issued our report thereon dated January 8, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Calhoun & Company

Hopkinsville, Kentucky
January 8, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Pennyrile Area Development District
Hopkinsville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Pennyrile Area Development District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pennyrile Area Development District's major federal programs for the year ended June 30, 2014. Pennyrile Area Development District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pennyrile Area Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennyrile Area Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pennyrile Area Development District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pennyrile Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of Pennyrile Area Development District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pennyrile Area Development District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pennyrile Area Development District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Calhoun & Company

Hopkinsville, Kentucky
January 8, 2015

PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Report: Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified That are not Considered to be Material Weaknesses?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs: Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified That are not Considered to be Material Weaknesses?	None Reported
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133?	None Reported

Identification of Major Programs:

WIA Cluster
- CFDA #17.258 – WIA Adult Program
- CFDA #17.259 – WIA Youth Activities
- CFDA #17.278 – WIA Dislocated Worker Formula Grants

CFDA #17.277 – Workforce Investment Act National Emergency Grants

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	$300,000
Auditee Qualified as Low-Risk Auditee?	Yes

PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

No Matters Were Reported.

Section III – Federal Award Findings and Questioned Costs

No Matters Were Reported.