# FIVCO AREA DEVELOPMENT DISTRICT

## FINANCIAL STATEMENTS
## AND SUPPLEMENTAL INFORMATION

## FOR THE YEAR ENDED JUNE 30, 2015

## TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FIVCO Area Development District
Grayson, Kentucky

## Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of FIVCO Area Development District (the "District") as of and for the year ended June 30, 2015, 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 an opinion 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.



Pikeville, KY Cold Spring, KY Cincinnati, OH

## 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 business-type activities, and each major fund of FIVCO Area Development District as of June 30, 2015, and the respective changes in its financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 16 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 7 and the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency in 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary schedules and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated November 9, 2015 on our consideration of FIVCO 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 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 FIVCO Area Development District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

November 9, 2015
Ashland, Kentucky

# FIVCO AREA DEVELOPMENT DISTRICT
# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
# FOR THE YEAR ENDED JUNE 30, 2015

As management of the FIVCO Area Development District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

## FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was $2,223,095 and the ending cash balance for the District was $2,405,279.
- The District implemented GASB 68 this year. The District's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liabilities was $1,007,000, as of June 30, 2015.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic 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 other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The 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 of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the District primarily include the administration of various federal and state grant programs.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The proprietary funds are Title IX Revolving Loan Fund, Pride Revolving Loan Fund, FIVCO Equipment Services, Inc., and FIVCO Development Corporation, Inc. All other activities of the District are included in the governmental funds. The basic fund financial statements can be found on pages 10 - 18 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 30 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,473,093 as of June 30, 2015.

A portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, and furniture and equipment). The District uses these capital assets to provide services to the FIVCO area; consequently, these assets are not available for future spending.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Position as of June 30, 2015 and 2014**

| | June 30, 2015 | (Restated) June 30, 2014 |
|---|---|---|
| **Assets** | | |
| Current Assets | $ 3,750,724 | $ 3,510,779 |
| Noncurrent Assets | 1,652,302 | 1,695,201 |
| **Total Assets** | 5,403,026 | 5,205,980 |
| Deferred outflows | 148,361 | 134,541 |
| **Liabilities** | | |
| Current Liabilities | 853,826 | 741,674 |
| Noncurrent Liabilities | 2,112,468 | 2,293,027 |
| **Total Liabilities** | 2,966,294 | 3,034,701 |
| Deferred inflows | 112,000 | - |
| **Net Position** | | |
| Investment in capital assets | 531,600 | 560,107 |
| Restricted | 49,517 | 37,005 |
| Unrestricted | 1,891,976 | 1,708,708 |
| **Total Net Position** | $ 2,473,093 | $ 2,305,820 |

**Changes in Net Position for the years ending June 30, 2015 and 2014**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| **Revenues:** | | |
| Local revenue sources | $ 48,259 | $ 48,260 |
| Grant revenue sources | 3,480,139 | 3,214,599 |
| Interest income | 35,596 | 39,455 |
| Program income | 24,372 | 21,799 |
| Other sources | 8,621 | 8,106 |
| **Total revenues** | 3,596,987 | 3,332,219 |
| **Expenses:** | | |
| General Administration | 202,862 | 150,029 |
| Grant Programs | 3,206,236 | 3,032,454 |
| Title IX Revolving Loan Fund | 12,580 | 15,891 |
| FIVCO Equipment Services, Inc. | 4,189 | 6,215 |
| FIVCO Development Corporation | 3,847 | 4,296 |
| **Total expenses** | 3,429,714 | 3,208,885 |
| **Increase in net position** | $ 167,273 | $ 123,334 |

**Comments on Budget Comparisons**

- The District's total General Fund revenues for the fiscal year ended June 30, 2015, net of inter-fund transfers, were $233,033 as compared to $225,740 for 2014.
- General and Special Revenue Fund budget compared to actual revenue varied slightly from line item to line item.
- General Fund expenditures were $217,495, as compared to $164,508 for 2014.

## CAPITAL ASSETS

As of June 30, 2015, the District's investment in capital assets totaled $1,652,302, which is a decrease of $42,899, or 2.5% over the capital asset balance of $1,695,201 at June 30, 2014 due to depreciation expense in conjunction with asset additions. A breakdown of the District's capital assets is presented in Note (5) of the financial statements.

## LONG-TERM DEBT

The District's long-term obligations outstanding as of June 30, 2015 consisted of the following:

| | Governmental activities | |
|---|---|---|
| | 2015 | 2014 |
| Notes payable (4.125%-4.50%) | $ 1,120,702 | 1,135,094 |
| Total | $ 1,120,702 | $ 1,135,094 |

The decrease in obligations of $14,392 is due to debt service payments made. Additional information on the District's long-term debt can be found in Note (6) of the financial statements.

## FUTURE BUDGETARY IMPLICATIONS

The District's fiscal year is July 1 - June 30; some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. The Governmental Activities beginning cash balance for beginning the 2015 fiscal year is $1,389,884. There was no significant Board action that impacted the finances during the current year.

Questions regarding this report should be directed to Executive Director Mrs. Sherry McDavid (606) 929-1366 or to Accountant, Eric Bloomfield (606) 929-1366 or by mail at, 32 FIVCO Court, Grayson, Kentucky 41143.

**FIVCO AREA DEVELOPMENT DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2015**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 1,389,884 | $ 1,015,395 | $ 2,405,279 |
| Grants receivable | 576,984 | - | 576,984 |
| Other receivables | 107,653 | 157 | 107,810 |
| Due from (to) other funds | 37,169 | (37,169) | - |
| Notes receivable, net of $9,030 allowance for doubtful accounts | - | 660,651 | 660,651 |
| Capital assets, not being depreciated | 179,479 | - | 179,479 |
| Capital assets, being depreciated, net | 1,460,314 | 12,509 | 1,472,823 |
| Total assets | 3,751,483 | 1,651,543 | 5,403,026 |
| Deferred outflows of resources | 148,361 | - | 148,361 |
| Total assets and deferred outflows | $ 3,899,844 | $ 1,651,543 | $ 5,551,387 |
| **Liabilities** | | | |
| Accounts payable | 47,555 | 1,108 | 48,663 |
| Payroll related liabilities | 73,624 | - | 73,624 |
| Accounts payable - contractors | 202,104 | - | 202,104 |
| Deferred revenue | 470,990 | - | 470,990 |
| Accrued interest payable | 43,211 | - | 43,211 |
| Notes payable - current | 15,234 | - | 15,234 |
| Net pension liability | 1,007,000 | - | 1,007,000 |
| Notes payable - long-term | 1,105,468 | - | 1,105,468 |
| Total liabilities | 2,965,186 | 1,108 | 2,966,294 |
| Deferred inflows of resources | 112,000 | - | 112,000 |
| **Net Position** | | | |
| Invested in capital assets, net of debt | 519,091 | 12,509 | 531,600 |
| Restricted | 49,517 | - | 49,517 |
| Unrestricted | 254,050 | 1,637,926 | 1,891,976 |
| Total net position | $ 822,658 | $ 1,650,435 | $ 2,473,093 |

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

**FIVCO AREA DEVELOPMENT DISTRICT**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2015**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-Type Activities** | **Total** |
| **Primary government:** | | | | | | | |
| Governmental activities: | | | | | | | |
| General administration | $ 154,200 | $ - | $ 174,450 | $ - | $ 20,250 | $ - | $ 20,250 |
| Grant programs | 3,206,236 | 24,372 | 3,305,689 | - | 123,825 | - | 123,825 |
| Interest expense | 48,662 | - | - | - | (48,662) | - | (48,662) |
| Total governmental activities | 3,409,098 | 24,372 | 3,480,139 | - | 95,413 | - | 95,413 |
| Business-type activities: | | | | | | | |
| EDA Title IX | 12,580 | - | - | - | - | (12,580) | (12,580) |
| FIVCO Equipment Services, Inc. | 4,189 | - | - | - | - | (4,189) | (4,189) |
| FIVCO Development Corporation, Inc. | 3,847 | - | - | - | - | (3,847) | (3,847) |
| Total business-type activities | 20,616 | - | - | - | - | (20,616) | (20,616) |
| Total primary government | $ 3,429,714 | $ 24,372 | $ 3,480,139 | $ - | $ 95,413 | $ (20,616) | $ 74,797 |
| General revenues: | | | | | | | |
| Local revenue | | | | | $ 48,259 | $ - | $ 48,259 |
| Interest income | | | | | 1,982 | 33,614 | 35,596 |
| Other income | | | | | 8,342 | 279 | 8,621 |
| Total general revenues and transfers | | | | | 58,583 | 33,893 | 92,476 |
| Change in net position | | | | | 153,996 | 13,277 | 167,273 |
| Net position, June 30, 2014, as restated | | | | | 668,662 | 1,637,158 | 2,305,820 |
| Net position, June 30, 2015 | | | | | $ 822,658 | $ 1,650,435 | $ 2,473,093 |

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

**FIVCO AREA DEVELOPMENT DISTRICT**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2015**

| | General Fund | Special Revenue Funds | Total Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash | $ 1,232,589 | $ 157,295 | $ 1,389,884 |
| Grants receivable | - | 576,984 | 576,984 |
| Other receivables | 107,408 | 245 | 107,653 |
| Due from other funds | 28,235 | 259,896 | 288,131 |
| Total assets | $ 1,368,232 | $ 994,420 | $ 2,362,652 |
| **Liabilities and Fund Balances** | | | |
| Liabilities: | | | |
| Accounts payable | $ - | $ 47,555 | $ 47,555 |
| Payroll related liabilities | - | 73,624 | 73,624 |
| Accounts payable - contractors | - | 202,104 | 202,104 |
| Deferred revenue | 25,604 | 445,386 | 470,990 |
| Accrued interest payable | - | 1,010 | 1,010 |
| Due to other funds | 231,946 | 19,016 | 250,962 |
| Total liabilities | 257,550 | 788,695 | 1,046,245 |
| Fund balances: | | | |
| Restricted | 49,517 | - | 49,517 |
| Unassigned | 1,061,165 | 205,725 | 1,266,890 |
| Total fund balances | 1,110,682 | 205,725 | 1,316,407 |
| Total liabilities and fund balances | $ 1,368,232 | $ 994,420 | $ 2,362,652 |

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

**FIVCO AREA DEVELOPMENT DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2015**

| | | |
|---|---|---|
| Fund balances—total governmental funds | | $ 1,316,407 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 1,639,793 |
| Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in the funds. | | (42,201) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | | |
| Deferred pension investment earnings | (112,000) | |
| Deferred pension contributions | 148,361 | 36,361 |
| Long-term liabilities, including notes payable and net pension liability are not due and payable in the current period and therefore are not reported in the funds. | | (2,127,702) |
| Net position of governmental activities | | $ 822,658 |

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

**FIVCO AREA DEVELOPMENT DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2015**

| | General Fund | Special Revenue Funds | Total Governmental Funds |
|---|---|---|---|
| Revenues: | | | |
| Grants and reimbursement contracts | $ 174,450 | $ 3,064,432 | $ 3,238,882 |
| Local revenue | 48,259 | 73,773 | 122,032 |
| Program income | - | 24,372 | 24,372 |
| Interest income | 1,982 | - | 1,982 |
| In-kind | - | 167,484 | 167,484 |
| Other income | 8,342 | - | 8,342 |
| Total revenues | 233,033 | 3,330,061 | 3,563,094 |
| Expenditures: | | | |
| Program operations: | | | |
| General administration | 154,200 | - | 154,200 |
| Grant programs: | | | |
| Joint Funding Administration: | | | |
| Community and Regional Planning | - | 30,556 | 30,556 |
| Management Assistance | - | 10,981 | 10,981 |
| Program Administration | - | 12,053 | 12,053 |
| Project Grants - KADIS | - | 23,355 | 23,355 |
| Facilitating the SOAR Initiative | - | 17,556 | 17,556 |
| Community Development Block Grant | - | 30,247 | 30,247 |
| Appalachian Regional Commission | - | 115,990 | 115,990 |
| Adult Day Services | - | 39,963 | 39,963 |
| Homecare | - | 527,086 | 527,086 |
| Chronic Disease | - | 24,532 | 24,532 |
| NSIP | - | 55,613 | 55,613 |
| CDSME | - | 3,727 | 3,727 |
| ADRC Part B | - | 3,852 | 3,852 |
| SHIP | - | 23,159 | 23,159 |
| IAO | - | 2,176 | 2,176 |
| FAST | - | 455 | 455 |
| Title III - Ombudsman | - | 28,833 | 28,833 |
| Grandparents/Caregivers Program | - | 39,917 | 39,917 |
| TBI | - | 40,656 | 40,656 |
| Title III | - | 904,836 | 904,836 |
| CDO Program | - | 650,112 | 650,112 |
| Workforce Investment Act | - | 68,862 | 68,862 |
| Transportation Planning | - | 49,822 | 49,822 |

**FIVCO AREA DEVELOPMENT DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCES -**
**GOVERNMENTAL FUNDS (CONCLUDED)**
**FOR THE YEAR ENDED JUNE 30, 2015**

| | General Fund | Special Revenue Funds | Total Governmental Funds |
|---|---|---|---|
| Water contracts | - | 45,151 | 45,151 |
| Miscellaneous contracts | - | 18,338 | 18,338 |
| Capital outlay | - | - | - |
| Debt service | 63,295 | - | 63,295 |
| Indirect cost pool | - | 465,126 | 465,126 |
| Total expenditures | 217,495 | 3,232,954 | 3,450,449 |
| Excess (deficiency) of revenues over expenditures | 15,538 | 97,107 | 112,645 |
| Other financing sources (uses): | | | |
| Transfers in (out) | - | - | - |
| Total other financing sources and uses | - | - | - |
| Net change in fund balances | 15,538 | 97,107 | 112,645 |
| Fund balances, June 30, 2014 | 1,095,144 | 108,618 | 1,203,762 |
| Fund balances, June 30, 2015 | $ 1,110,682 | $ 205,725 | $ 1,316,407 |

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

**FIVCO AREA DEVELOPMENT DISTRICT**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2015**

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 112,645 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| 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 and reported as depreciation expense. | | |
| Capital outlay | 18,271 | |
| Depreciation expense | (58,914) | |
| | | (40,643) |
| Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following: | | |
| Interest payable | | 241 |
| Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience. | | |
| CERS contributions | 148,361 | |
| Pension expense | (81,000) | 67,361 |
| The issuance of long-term debt provides current financial resources to governmental funds, while payment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 14,392 |
| Change in net position of governmental activities | | $ 153,996 |

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

## FIVCO AREA DEVELOPMENT DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

## JUNE 30, 2015

| | EDA Title IX | Pride Revolving Loan Fund | FIVCO Equipment Services, Inc. | FIVCO Development Corporation, Inc. | Totals (Memorandum Only) |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash | $ 945,061 | $ - | $ 33,102 | $ 37,232 | $ 1,015,395 |
| Accounts receivable | - | 157 | - | - | 157 |
| Notes receivable, net | 660,651 | - | - | - | 660,651 |
| Due from other funds | - | 441 | 4,288 | 500 | 5,229 |
| Capital assets, net | - | - | 10,118 | 2,391 | 12,509 |
| Total assets | $ 1,605,712 | $ 598 | $ 47,508 | $ 40,123 | $ 1,693,941 |
| LIABILITIES | | | | | |
| Due to other funds | $ 24,065 | $ 583 | $ 6,775 | $ 10,975 | $ 42,398 |
| Accounts payable | 108 | - | - | 1,000 | 1,108 |
| Payroll related liabilities | - | - | - | - | - |
| Total liabilities | 24,173 | 583 | 6,775 | 11,975 | 43,506 |
| NET POSITION | | | | | |
| Invested in capital assets | - | - | 10,118 | 2,391 | 12,509 |
| Unrestricted | 1,581,539 | 15 | 30,615 | 25,757 | 1,637,926 |
| Total fund equity | 1,581,539 | 15 | 40,733 | 28,148 | 1,650,435 |
| Total liabilities and net position | $ 1,605,712 | $ 598 | $ 47,508 | $ 40,123 | $ 1,693,941 |

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

**FIVCO AREA DEVELOPMENT DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2015**

| | EDA Title IX | Pride Revolving Loan Fund | FIVCO Equipment Services, Inc. | FIVCO Development Corporation, Inc. | Totals (Memorandum Only) |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Other income | $ 250 | $ - | $ 29 | $ - | $ 279 |
| Total revenues | 250 | - | 29 | - | 279 |
| EXPENSES | | | | | |
| Contractual | 11,283 | - | - | - | 11,283 |
| Insurance | - | - | - | - | - |
| Depreciation expense | - | - | 1,124 | 1,132 | 2,256 |
| Other | 1,297 | - | 3,065 | 2,715 | 7,077 |
| Total expenses | 12,580 | - | 4,189 | 3,847 | 20,616 |
| OPERATING LOSS | (12,330) | - | (4,160) | (3,847) | (20,337) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | 33,549 | - | - | 65 | 33,614 |
| Bad debt expense | - | - | - | - | - |
| Total nonoperating revenues (expenses) | 33,549 | - | - | 65 | 33,614 |
| NET INCREASE (DECREASE) IN NET POSITION | 21,219 | - | (4,160) | (3,782) | 13,277 |
| BEGINNING NET POSITION | 1,560,320 | 15 | 44,893 | 31,930 | 1,637,158 |
| ENDING NET POSITION | $ 1,581,539 | $ 15 | $ 40,733 | $ 28,148 | $ 1,650,435 |

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

**FIVCO AREA DEVELOPMENT DISTRICT**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2015**

| | EDA Title IX | Pride Revolving Loan Fund | FIVCO Equipment Services, Inc. | FIVCO Development Corporation, Inc. | Totals (Memorandum Only) |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from: | | | | | |
| Other receipts | $ 250 | $ - | $ 29 | $ - | $ 279 |
| Cash paid to/for: | | | | | |
| Payments to suppliers and providers of goods and services | - | - | - | - | - |
| Other payments | (13,087) | - | (3,065) | (2,715) | (18,867) |
| Net cash provided by (used for) operating activities | (12,837) | - | (3,036) | (2,715) | (18,588) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest income | 33,549 | - | - | 65 | 33,614 |
| Purchase of property, plant and equipment | - | - | - | - | - |
| Net cash provided by investing activities | 33,549 | - | - | 65 | 33,614 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Change in due from (to) other funds | 12,083 | - | - | - | 12,083 |
| Payments on notes receivable | 144,039 | - | - | - | 144,039 |
| Issuance of notes receivable | (53,350) | - | - | - | (53,350) |
| Net cash provided by non-capital financing activities | 102,772 | - | - | - | 102,772 |
| NET INCREASE (DECREASE) IN CASH | 123,484 | - | (3,036) | (2,650) | 117,798 |
| CASH AT BEGINNING OF YEAR | 821,577 | - | 36,138 | 39,882 | 897,597 |
| CASH AT END OF YEAR | $ 945,061 | $ - | $ 33,102 | $ 37,232 | $ 1,015,395 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | $ (12,330) | $ - | $ (4,160) | $ (3,847) | $ (20,337) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation expense | - | - | 1,124 | 1,132 | 2,256 |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | - | - | - | - | - |
| Accounts payable | (507) | - | - | - | (507) |
| Payroll liabilities | - | - | - | - | - |
| Net cash provided by (used for) operating activities | $ (12,837) | $ - | $ (3,036) | $ (2,715) | $ (18,588) |

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

FIVCO AREA DEVELOPMENT DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

### FOR THE YEAR ENDED JUNE 30, 2015

| | General | | | Special Revenue | | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | | | | |
| Grants and reimbursement contracts | $ 145,000 | $ 174,450 | $ 29,450 | $ 3,279,510 | $ 3,064,432 | $ (215,078) |
| Local revenue | 48,000 | 48,259 | 259 | 48,000 | 73,773 | 25,773 |
| Program income | - | - | - | - | 24,372 | 24,372 |
| Interest income | 3,000 | 1,982 | (1,018) | - | - | - |
| In-kind | - | - | - | - | 167,484 | 167,484 |
| Other income | 13,000 | 8,342 | (4,658) | - | - | - |
| | 209,000 | 233,033 | 24,033 | 3,327,510 | 3,330,061 | 2,551 |
| EXPENDITURES: | | | | | | |
| Program operations - | | | | | | |
| General administration | 76,500 | 154,200 | (77,700) | - | - | - |
| Joint Funding Administration: | | | | | | |
| Community and Regional Planning | - | - | - | 46,983 | 30,556 | 16,427 |
| Management Assistance | - | - | - | 17,775 | 10,981 | 6,794 |
| Program Administration | - | - | - | 19,260 | 12,053 | 7,207 |
| Project Grants - KADIS | - | - | - | 34,500 | 23,355 | 11,145 |
| Facilitating the SOAR Initiative | - | - | - | 25,000 | 17,556 | 7,444 |
| Community Development Block Grant | - | - | - | 34,000 | 30,247 | 3,753 |
| Appalachian Regional Commission | - | - | - | 146,368 | 115,990 | 30,378 |
| PDI | - | - | - | 61,366 | 39,963 | 21,403 |
| Homecare | - | - | - | 614,811 | 527,086 | 87,725 |
| Health Benefits Exchange | - | - | - | 35,546 | 24,532 | 11,014 |
| NSIP | - | - | - | 46,925 | 55,613 | (8,688) |
| CDSME | - | - | - | 8,092 | 3,727 | 4,365 |
| ADRC Part B | - | - | - | 131,582 | 3,852 | 127,730 |
| Health Information, Counseling and Assistance | - | - | - | 1,228 | 23,159 | (21,931) |
| IAO | - | - | - | 3,750 | 2,176 | 1,574 |
| FAST | - | - | - | - | 455 | (455) |
| Title III - Ombudsman | - | - | - | 28,833 | 28,833 | - |
| Grandparents/Caregivers Program | - | - | - | 51,077 | 39,917 | 11,160 |
| MIPPA | - | - | - | 26,586 | 40,656 | (14,070) |
| Title III | - | - | - | 943,079 | 904,836 | 38,243 |
| CDO Program | - | - | - | 308,650 | 650,112 | (341,462) |
| Workforce Investment Act | - | - | - | 118,300 | 68,862 | 49,438 |
| Transportation Planning | - | - | - | 74,313 | 49,822 | 24,491 |
| Water Contracts | - | - | - | 65,906 | 45,151 | 20,755 |
| Miscellaneous contracts | - | - | - | 31,419 | 18,338 | 13,081 |
| Debt service | 67,000 | 63,295 | 3,705 | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total program expenditures | 143,500 | 217,495 | (73,995) | 2,875,349 | 2,767,828 | 107,521 |
| Indirect cost pool | - | - | - | 452,161 | 465,126 | (12,965) |
| Total expenditures | 143,500 | 217,495 | (73,995) | 3,327,510 | 3,232,954 | 94,556 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 65,500 | 15,538 | (49,962) | - | 97,107 | 97,107 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating transfer out | - | - | - | - | - | - |
| Operating transfer in | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| NET CHANGE IN FUND BALANCE | 65,500 | 15,538 | (49,962) | - | 97,107 | 97,107 |
| FUND BALANCE, June 30, 2014 | 1,062,412 | 1,095,144 | (32,732) | 108,618 | 108,618 | - |
| FUND BALANCE, June 30, 2015 | $ 1,127,912 | $ 1,110,682 | $ (82,694) | $ 108,618 | $ 205,725 | $ 97,107 |

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

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

FIVCO Area Development District ("FIVCO") was founded in October, 1967, and currently operates as an Area Development District under Kentucky State Law and consists of the counties of Greenup, Boyd, Carter, Elliott and Lawrence. The twenty-four member Board of Directors is composed of officials of political subdivisions and private citizens within the District.

The purpose of the District is to promote, protect and develop the economy, health, education and general welfare and to implement projects for the people of the counties included in the District, and to further act in conjunction with adjoining area development districts in the Northeastern Kentucky area.

In evaluating how to define the government for financial reporting purposes, management of the District has considered all potential component units. The criteria for including a potential component unit within the reporting entity is (1) ability to exercise oversight responsibility, (2) scope of public services, and (3) special financing relationships. Based upon these criteria, management has included FIVCO Development Corporation, Inc., (formerly FIVCO Offices, Inc.), FIVCO Equipment Services, Inc. and Economic Development Corporation of East Kentucky as part of the reporting entity.

Basis of Presentation

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

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues,

including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

I. Governmental Fund Types

(a) The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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

II. Proprietary Fund Types

(a) Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. The Title IX Revolving Loan Fund, the Pride Revolving Loan Fund, FIVCO Equipment Services, Inc., and FIVCO Development Corporation are all considered major enterprise funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal

year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Component Units Presented Using Blending Method

FIVCO Equipment, Inc., FIVCO Development Corporation, Inc., and Economic Development Corporation of East Kentucky, while legally separate from FIVCO Area Development District, have substantially the same governing body. Therefore, the respective financial information has been combined into the financial statements using the blending method.

This involves merging the funds and account groups of the component units into the similar funds and account groups of FIVCO Area Development District.

The separate financial information for these component units is shown in the Statement of Net Position - Proprietary Funds as major funds, or in the General Fund.

Revolving Loan Notes Receivable

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

Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies that a liability should be accrued for leave benefits that meet the following conditions:

1. The employers' obligation relating to employees' rights to receive compensation for future absences is attributed to employees' services already rendered.
2. The obligation relates to rights that vest or are accumulated.

3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

FIVCO records a liability for total unpaid vacation time that has accrued. Employees may carry a maximum 24 days forward at year end.

The accrued vacation liability is calculated by extending an employee's days at year end times their pay rate, assuming 7 ½ hour work days.

Cash and Cash Equivalents

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

Inventory

Supplies and materials are charged to expenditures when purchased.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by FIVCO.

Account Classification

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

Allowance for Doubtul Accounts

The allowance for loan losses related to revolving loans is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| Description | Estimated Lives |
|---|---|
| Buildings and improvements | 10-40 years |
| Equipment | 5-10 years |
| Furniture and fixtures | 5-10 years |
| Automobiles | 5 years |

Due To/Due From Other Funds

Due to/due from other funds represents the amount of interfund receivables and payables. They are presented in the respective assets and liability sections of the governmental funds balance sheet.

Budgets and Budgetary Accounting

FIVCO is not legally required to adopt a budget. Budgetary restrictions apply primarily at the grant level. FIVCO does adopt a cost allocation plan that is approved by the Department for Local Government.

Fund Balance Reserves

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

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

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

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for rent and interest earned on revolving loans. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

New Accounting Pronouncements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires employers participating in a multiple-employer cost-sharing plan to report net pension liability on the entity-wide statements for their proportionate share of the liability. See Note (16) for the effect of this adoption on beginning net position.

## (2) ESTIMATES

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

## (3) COST ALLOCATION

Joint costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per a written cost allocation plan. All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared (indirect) cost. Direct charges are defined in OMB Circular A-87 as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purposes benefiting more than one grant and/or program element. All costs are recognized under the provisions of OMB Circular A-102.

FIVCO Area Development 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 on page 51. The District is in conformity with 2 CFR Part 225.

## (4) DUE TO/DUE FROM OTHER FUNDS

Interfund loans as of June 30, 2015 were as follows:

| Fund | Due from Other Funds | Due to Other Funds |
|---|---|---|
| General | $ 28,235 | $ 231,946 |
| Special revenue | 259,896 | 19,016 |
| Enterprise or proprietary | 5,229 | 42,398 |
| Total | $ 293,360 | $ 293,360 |

## (5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| Governmental Activities | June 30, 2014 | Additions | Deductions | June 30. 2015 |
|---|---|---|---|---|
| Land | $ 179,479 | $ - | $ - | $ 179,479 |
| Land improvements | 85,639 | - | - | 85,639 |
| Buildings | 1,688,580 | 16,260 | - | 1,704,840 |
| Equipment | 605,196 | 2,011 | - | 607,207 |
| Totals at historical cost | 2,558,894 | 18,271 | - | 2,577,165 |
| Less: accumulated depreciation | (878,458) | (58,914) | - | (937,372) |
| Governmental Activities Capital Assets - Net | $ 1,680,436 | $ (40,643) | $ - | $ 1,639,793 |

| Business - Type Activities | | | | |
|---|---|---|---|---|
| Furniture and fixtures | $ 39,437 | $ - | $ - | $ 39,437 |
| Equipment | 55,332 | - | - | 55,332 |
| Automobiles | 29,168 | - | - | 29,168 |
| Computers | 137,869 | - | - | 137,869 |
| Totals at historical cost | 261,806 | - | - | 261,806 |
| Less: accumulated depreciation | (247,041) | (2,256) | - | (249,297) |
| Business-Type Activities Capital Assets - Net | $ 14,765 | $ (2,256) | $ - | $ 12,509 |

## (6) LONG-TERM DEBT

A summary of activity in long-term debt obligations is as follows:

| Description | Balance at June 30, 2014 | Issued | Payments | Balance at June 30, 2015 |
|---|---|---|---|---|
| Note payable - 4.375%, Maturing 7/18/2048 | $ 473,537 | $ - | $ 7,722 | $ 465,815 |
| Note payable - 4.125% Maturing 7/18/2048 | 472,084 | - | 4,528 | 467,556 |
| Note payable - 4.50% Maturing 1/26/2049 | 189,473 | - | 2,142 | 187,331 |
| | $ 1,135,094 | $ - | $ 14,392 | $ 1,120,702 |

The notes payable are secured by all assets and pledged revenues of the District. Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2015:

| Year | Principal | Interest | Requirements |
|---|---|---|---|
| 2016 | $ 15,234 | $ 48,061 | $ 63,295 |
| 2017 | 15,887 | 47,408 | 63,295 |
| 2018 | 16,568 | 46,727 | 63,295 |
| 2019 | 17,279 | 46,016 | 63,295 |
| 2020 | 18,020 | 45,275 | 63,295 |
| 2021-25 | 102,381 | 214,094 | 316,475 |
| 2026-30 | 126,311 | 190,164 | 316,475 |
| 2031-35 | 155,842 | 160,633 | 316,475 |
| 2036-40 | 192,287 | 124,188 | 316,475 |
| 2041-45 | 237,267 | 79,208 | 316,475 |
| 2046-49 | 223,626 | 23,979 | 247,605 |
| | $ 1,120,702 | $1,025,753 | $2,146,455 |

## (7) DEPRECIATION RESERVES

The notes payable to the United States Department of Agriculture - Rural Development require depreciation reserve accounts be established. The District is required to deposit $6,324 annually until a balance of $115,720 is reached. The balance at June 30, 2015 was $49,517, which is $5 more than the required balance.

## (8) CONCENTRATIONS

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

## (9) PENSION PLAN

County Employees Retirement System

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

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

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

*Contributions*: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 18.89% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30 2014, the District's proportion was 0.031%.

For the year ended June 30, 2015, the District recognized pension expense of $81,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $148,361. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The District reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of $112,000. These amounts will be recognized in pension expense as follows:

| Year | |
|---|---|
| 2016 | $ 22,400 |
| 2017 | 22,400 |
| 2018 | 22,400 |
| 2019 | 22,400 |
| 2020 | 22,400 |
| | $ 112,000 |

*Actuarial Methods and Assumptions*: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation Date | June 30, 2014 |
| Experience Study | July 1, 2005 - June 30, 2008 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 3.5% |
| Salary Increase | 4.5%, average, including inflation |
| Investment Rate of Return | 7.75%, net of pension plan investment expense, including inflation |

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 30.0% | 8.45% |
| International Equity | 22.0% | 8.85% |
| Emerging Market Equity | 5.0% | 10.50% |
| Private Equity | 7.0% | 11.25% |
| Real Estate | 5.0% | 7.00% |
| Core U.S. Fixed Income | 10.0% | 5.25% |
| High Yield Fixed Income | 5.0% | 7.25% |
| Non US Fixed Income | 5.0% | 5.5% |
| Commodities | 5.0% | 7.75% |
| TIPS | 5.0% | 5.00% |
| Cash | 1.0% | 3.25% |
| | 100.0% | |

*Discount Rate*: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan

members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate*: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 %, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 %) or 1-percentage-point higher (8.75 %) than the current rate:

| | 1% Decrease (6.75%) | Current discount rate (7.75%) | 1% Increase (8.75%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 1,325,000 | $ 1,007,000 | $ 726,000 |

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

*Payables to the pension plan:* At June 30, 2015, the District had payables to CERS in the amount of $22,903, respectively, for June's covered payroll with contributions required to be paid in July.

## (10) CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was $2,405,279, of which $2,405,249 was maintained in checking accounts and $30 represents petty cash on hand. The bank balance totaled $2,485,465, of which $320,334 was covered by Federal depository insurance, $2,089,349 was covered by collateral and $75,782 was uncollateralized.

## (11) CONTINGENCIES

The District receives funding from Federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

## (12) INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

## (13) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

## (14) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

## (15) DEFERRED REVENUE/DUE TO GRANTOR

The June 30, 2015 deferred revenue or due to grantor includes revenues received, but not earned, as follows:

| | 2015 |
|---|---|
| JFA | $ 119,045 |
| WIA | 13,983 |
| MPO | 1,072 |
| Family Preservation | 2,633 |
| Adult Day Care | 7,653 |
| Homecare | 61,269 |
| Grandparents | 2,107 |
| Aging | 27,467 |
| SHIP | 501 |
| MIPPA | 12,014 |
| KY Caregiver | 13,838 |
| ADRM | 6,020 |
| Fuel Subsidy | 3,821 |
| NIMS | 714 |
| Safety Contract | 755 |
| CDSME | 44 |
| IAO | 76 |
| FAST | 18 |
| PDI | 269 |
| USDA | 172,087 |
| Total Special Revenue Fund | 445,386 |
| ARC 130 | 25,604 |
| Total General Fund | 25,604 |
| Total deferred revenue | $ 470,990 |

## (16) CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Net Position as previously reported at June 30, 2014 | $ 1,706,662 | $ 1,637,158 | $ 3,343,820 |
| Prior period adjustment implementation of GASB 68: | | | |
| Net pension liability (measurement date as of June 30, 2013) | (1,172,541) | - | (1,172,541) |
| Deferred outflows District contributions made during fiscal year 2014 | 134,541 | - | 134,541 |
| Total prior period adjustment | (1,038,000) | - | (1,038,000) |
| Net position as restated, June 30, 2014 | $ 668,662 | $ 1,637,158 | $ 2,305,820 |

# REQUIRED SUPPLEMENTARY INFORMATION

# FIVCO AREA DEVELOPMENT DISTRICT
# SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
# FOR THE YEAR ENDED JUNE 30, 2015

| | Reporting Fiscal Year (Measurement Date) | |
|---|---|---|
| | | 2015 (2014) |
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | |
| District's proportion of the net pension liability | | 0.031% |
| District's proportionate share of the net pension liability | $ | 1,007,000 |
| District's covered-employee payroll | $ | 712,234 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | | 141.386% |
| Plan fiduciary net position as a percentage of the total pension liability | | 66.800% |

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

**FIVCO AREA DEVELOPMENT DISTRICT**
**SCHEDULE OF PENSION CONTRIBUTIONS**
**FOR THE YEAR ENDED JUNE 30, 2015**

| | 2015 | 2014 |
|---|---|---|
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | |
| Contractually required contribution | $ 148,361 | $ 134,541 |
| Contributions in relation to the contractually required contribution | 148,361 | 134,541 |
| Contribution deficiency (excess) | - | - |
| District's covered-employee payroll | $ 839,570 | $ 712,234 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 17.67% | 18.89% |

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

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

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 29 years |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 3.5% |
| Salary Increase | 4.5%, average, including inflation |
| Investment Rate of Return | 7.75%, net of pension plan investment expense, including inflation |

There were no changes of benefit terms or assumptions.

## (2) CHANGES OF BENEFITS

There were no changes of benefit terms for CERS.

# SUPPLEMENTAL INFORMATION

**FIVCO AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF REVENUES AND EXPENSES**

**TITLE IX REVOLVING LOAN FUND**

**FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|---|---|
| REVENUES | |
| Interest income | $ 33,549 |
| Other income | 250 |
| Total revenues | 33,799 |
| | |
| EXPENSES | |
| Direct expenses: | |
| Contractual | 8,026 |
| Other | 1,297 |
| Total direct expenses | 9,323 |
| | |
| Indirect expenses | 3,257 |
| Total expenses | 12,580 |
| | |
| INCREASE IN NET POSITION | $ 21,219 |

**FIVCO AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF REVENUES AND EXPENSES**

**FIVCO EQUIPMENT SERVICES, INC.**

**FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|---|---|
| REVENUES | |
| Other income | $ 29 |
| | 29 |
| EXPENSES | |
| Direct expenses: | |
| Miscellaneous | 3,065 |
| Depreciation | 1,124 |
| Insurance | - |
| Total direct expenses | 4,189 |
| Indirect expenses | - |
| Total expenses | 4,189 |
| DECREASE IN NET POSITION | $ (4,160) |

**FIVCO AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF REVENUES AND EXPENSES**

**FIVCO DEVELOPMENT CORPORATION, INC.**

**FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|---|---|
| REVENUES | |
| Interest income | $ 65 |
| Other income | - |
| Total revenues | 65 |
| | |
| EXPENSES | |
| Direct expenses: | |
| Depreciation expense | 1,132 |
| Other | 2,715 |
| Total direct expenses | 3,847 |
| | |
| Indirect expenses | - |
| Total expenses | 3,847 |
| | |
| Transfer to General Fund | - |
| | |
| DECREASE IN NET POSITION | $ (3,782) |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

## ECONOMIC DEVELOPMENT ADMINISTRATION - COMMUNITY AND REGIONAL PLANNING (EDA 120)

## FOR THE YEAR ENDED JUNE 30, 2015

| | Budget | Actual | Budget Over (Under) Actual |
|---|---|---|---|
| REVENUES | | | |
| Federal | $ 37,586 | $ 32,876 | $ (4,710) |
| State | 9,397 | 8,937 | (460) |
| State unmatched | - | - | - |
| Total revenues | 46,983 | 41,813 | (5,170) |
| EXPENDITURES | | | |
| Direct expenditures: | | | |
| Personnel | 31,334 | 27,552 | 3,782 |
| Travel | 2,085 | 2,854 | (769) |
| Other | 1,182 | 150 | 1,032 |
| Total direct expenditures | 34,601 | 30,556 | 4,045 |
| Indirect expenditures | 12,382 | 11,257 | 1,125 |
| Total expenditures | 46,983 | 41,813 | 5,170 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

## ECONOMIC DEVELOPMENT ADMINISTRATION - MANAGEMENT ASSISTANCE (EDA 140)

## FOR THE YEAR ENDED JUNE 30, 2015

| | Budget | Actual | Budget Over (Under) Actual |
|---|---|---|---|
| REVENUES | | | |
| Federal | $ 14,220 | $ 7,197 | $ (7,023) |
| State | 3,555 | 396 | (3,159) |
| State unmatched | - | 7,150 | 7,150 |
| Total revenues | 17,775 | 14,743 | (3,032) |
| EXPENDITURES | | | |
| Direct expenditures: | | | |
| Personnel | 11,855 | 9,207 | 2,648 |
| Travel | 500 | 1,386 | (886) |
| Other | 735 | 388 | 347 |
| Total direct expenditures | 13,090 | 10,981 | 2,109 |
| Indirect expenditures | 4,685 | 3,762 | 923 |
| Total expenditures | 17,775 | 14,743 | 3,032 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

## ECONOMIC DEVELOPMENT ADMINISTRATION - PROGRAM ADMINISTRATION (EDA 150)

## FOR THE YEAR ENDED JUNE 30, 2015

| | Budget | Actual | Budget Over (Under) Actual |
|---|---|---|---|
| REVENUES | | | |
| Federal | $ 15,408 | $ 12,276 | $ (3,132) |
| State | 3,852 | - | (3,852) |
| State unmatched | - | 4,567 | 4,567 |
| Total revenues | 19,260 | 16,843 | (2,417) |
| EXPENDITURES | | | |
| Direct expenditures: | | | |
| Personnel | 13,123 | 11,723 | 1,400 |
| Travel | 500 | 30 | 470 |
| Other | 679 | 300 | 379 |
| Total direct expenditures | 14,302 | 12,053 | 2,249 |
| Indirect expenditures | 4,958 | 4,790 | 168 |
| Total expenditures | 19,260 | 16,843 | 2,417 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

## ECONOMIC DEVELOPMENT ADMINISTRATION - PROJECT GRANTS (KADIS)

## FOR THE YEAR ENDED JUNE 30, 2015

| | Budget | Actual | Budget Over (Under) Actual |
|---|---|---|---|
| REVENUES | | | |
| Federal | $ 27,600 | $ 26,240 | $ (1,360) |
| State | 3,795 | 3,520 | (275) |
| Local | 3,105 | 3,040 | (65) |
| Total revenues | 34,500 | 32,800 | (1,700) |
| EXPENDITURES | | | |
| Direct expenditures: | | | |
| Personnel | 24,348 | 23,115 | 1,233 |
| Travel | 500 | 240 | 260 |
| Other | 30 | - | 30 |
| Total direct expenditures | 24,878 | 23,355 | 1,523 |
| Indirect expenditures | 9,622 | 9,445 | 177 |
| Total expenditures | 34,500 | 32,800 | 1,700 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

## ECONOMIC DEVELOPMENT ADMINISTRATION - FACILITATING THE SOAR INITIATIVE

## FOR THE YEAR ENDED JUNE 30, 2015

| | Budget | Actual | Budget Over (Under) Actual |
|---|---|---|---|
| REVENUES | | | |
| Federal | $ 20,000 | $ 20,026 | $ 26 |
| State | - | - | - |
| Local | 5,000 | 4,042 | (958) |
| Total revenues | 25,000 | 24,068 | (932) |
| EXPENDITURES | | | |
| Direct expenditures: | | | |
| Personnel | 16,307 | 15,938 | 369 |
| Travel | 1,250 | 1,492 | (242) |
| Other | 250 | 126 | 124 |
| Total direct expenditures | 17,807 | 17,556 | 251 |
| Indirect expenditures | 7,193 | 6,512 | 681 |
| Total expenditures | 25,000 | 24,068 | 932 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

## COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG 125)

## FOR THE YEAR ENDED JUNE 30, 2015

| | Budget | Actual | Budget Over (Under) Actual |
|---|---|---|---|
| REVENUES | | | |
| Federal | $ 17,000 | $ 17,000 | $ - |
| State | 17,000 | 17,000 | - |
| State unmatched | - | - | - |
| Local | - | 6,481 | 6,481 |
| Total revenues | 34,000 | 40,481 | 6,481 |
| EXPENDITURES | | | |
| Direct expenditures: | | | |
| Personnel | 26,062 | 25,046 | 1,016 |
| Travel | 3,000 | 3,705 | (705) |
| Other | 667 | 1,496 | (829) |
| Total direct expenditures | 29,729 | 30,247 | (518) |
| Indirect expenditures | 4,271 | 10,234 | (5,963) |
| Total expenditures | 34,000 | 40,481 | (6,481) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

## APPALACHIAN REGIONAL COMMISSION (ARC 130)

## FOR THE YEAR ENDED JUNE 30, 2015

| | Budget | Actual | Budget Over (Under) Actual |
|---|---|---|---|
| REVENUES | | | |
| Federal | $ 73,184 | $ 76,856 | $ 3,672 |
| State | 73,184 | 73,184 | - |
| State unmatched | - | - | - |
| Local | - | 3,570 | 3,570 |
| Total revenues | 146,368 | 153,610 | 7,242 |
| EXPENDITURES | | | |
| Direct expenditures: | | | |
| Personnel | 89,602 | 92,070 | (2,468) |
| Travel | 19,500 | 14,187 | 5,313 |
| Other | 3,000 | 9,733 | (6,733) |
| Total direct expenditures | 112,102 | 115,990 | (3,888) |
| Indirect expenditures | 34,266 | 37,620 | (3,354) |
| Total expenditures | 146,368 | 153,610 | (7,242) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES

## GENERAL FUND

## FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| REVENUES | |
| Local revenue | $ 48,259 |
| Interest income | 1,982 |
| Contract revenue | 174,450 |
| Other revenue | 8,342 |
| Total revenues | 233,033 |
| | |
| EXPENDITURES | |
| Direct expenditures: | |
| Travel | 8,051 |
| Local match | 29,662 |
| Contract expense | 71,808 |
| Debt service | 63,295 |
| Capital Outlay | 16,260 |
| Miscellaneous | 28,419 |
| Total direct expenditures | 217,495 |
| | |
| Indirect expenditures | - |
| Total expenditures | 217,495 |
| | |
| EXCESS OF REVENUES OVER EXPENDITURES | 15,538 |
| | |
| OTHER FINANCING SOURCES (USES) | |
| Transfer in | - |
| Total other financing sources (uses) | - |
| | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | $ 15,538 |

**FIVCO AREA DEVELOPMENT DISTRICT**

**STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING**

**FOR THE YEAR ENDED JUNE 30, 2015**

| | Administration Breakdown | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Title III B Adminis-tration | Title III C1 Adminis-tration | Title III C2 Adminis-tration | Title III E Services Admin | Title III E Caregiver Admin | Total Agency Adminis-tration | Agency Adminis-tration | Support Services B | Cong. Meals C-1 | H.D. Meals C-2 | Preventive Health D | Caregiver E | Ombuds-man - VII | Elder Abuse VII | Sub-Totals |
| REVENUES | | | | | | | | | | | | | | | |
| Federal grant | $ 17,437 | $ 19,340 | $ 9,864 | $ - | $ 6,384 | $ 53,556 | $ 53,556 | $ 160,220 | $ 227,852 | $ 61,066 | $ 14,861 | $ 84,894 | $ 4,226 | $ 2,497 | $ 609,172 |
| State grant | 6,809 | 6,447 | 7,313 | - | - | 20,569 | 20,569 | 94,426 | 19,616 | 27,701 | - | 23,537 | - | - | 185,849 |
| Local | 2,060 | - | - | - | 106 | 2,166 | 2,166 | - | - | 836 | - | - | - | - | 3,002 |
| Program income | - | - | - | - | - | - | - | 1,320 | 18,659 | 1,273 | - | - | - | - | 21,252 |
| Local in-kind | - | - | - | - | 2,172 | 2,172 | 2,172 | 41,190 | 46,795 | 19,279 | | 7,444 | 746 | 441 | 118,067 |
| Total revenues | 26,306 | 25,787 | 17,177 | - | 8,662 | 78,463 | 78,463 | 297,156 | 312,922 | 110,155 | 14,861 | 115,875 | 4,972 | 2,938 | 937,342 |
| EXPENSES: | | | | | | | | | | | | | | | |
| Direct expenses: | | | | | | | | | | | | | | | |
| Personnel | 42,457 | - | - | - | 2,732 | 45,521 | 45,522 | 4,784 | - | - | 332 | 27,946 | - | - | 78,584 |
| Staff travel | 2,171 | - | - | - | 394 | 2,628 | 2,628 | 218 | - | - | 63 | 1,400 | - | - | 4,309 |
| Contracts | - | - | - | - | - | - | - | 290,198 | 312,922 | 110,155 | 14,330 | - | 4,972 | 2,938 | 735,515 |
| Other | - | - | - | - | 2,172 | 2,172 | - | - | - | - | - | - | - | - | - |
| Total direct expenses | 7,294 | - | - | - | 2,247 | 9,541 | 11,713 | - | - | - | - | 75,110 | - | - | 86,823 |
| | 51,922 | - | - | - | 7,545 | 59,862 | 59,863 | 295,200 | 312,922 | 110,155 | 14,725 | 104,456 | 4,972 | 2,938 | 905,231 |
| Indirect Expenditures | 17,348 | - | - | - | 1,117 | 18,601 | 18,600 | 1,956 | - | - | 136 | 11,419 | - | - | 32,111 |
| Total expenses | 69,270 | - | - | - | 8,662 | 78,463 | 78,463 | 297,156 | 312,922 | 110,155 | 14,861 | 115,875 | 4,972 | 2,938 | 937,342 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | $ (42,964) | $ 25,787 | $ 17,177 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

**FIVCO AREA DEVELOPMENT DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2015**

| | Homecare | PDI | Health Benefits Exchange | NSIP | CDSME | ADRC Part B | SHIP | IAO | FAST | LTC Ombudsman | KY Caregiver | MIPPA | Area Agency on Aging Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REVENUES | | | | | | | | | | | | | |
| Federal grant | $ - | $ - | $ 34,353 | $ 46,925 | $ 4,880 | $ 1,926 | $ 23,491 | $ 2,969 | $ 539 | $ - | $ - | $ 46,792 | $ 770,516 |
| State grant | 649,746 | 57,453 | - | - | - | 1,926 | - | - | - | 28,833 | 50,380 | - | 974,187 |
| Local | - | - | - | - | 323 | - | - | - | - | - | 235 | - | 3,560 |
| Program income | 3,120 | - | - | - | - | - | - | - | - | - | - | - | 24,372 |
| In-kind | 40,729 | - | - | 8,688 | - | - | - | - | - | - | - | - | 167,484 |
| Total revenues | 693,595 | 57,453 | 34,353 | 55,613 | 5,203 | 3,852 | 23,491 | 2,969 | 539 | 28,833 | 50,615 | 46,792 | 1,940,119 |
| EXPENSES | | | | | | | | | | | | | |
| Direct expenses: | | | | | | | | | | | | | |
| Personnel | 441,002 | 38,953 | 24,035 | - | 3,612 | 3,852 | 814 | 1,941 | 206 | - | 26,183 | 15,017 | 633,867 |
| Travel | 18,446 | - | 497 | - | - | - | - | - | 249 | - | 248 | - | 23,686 |
| Contracts | 48,410 | - | - | 55,613 | - | - | 22,345 | - | - | 28,833 | - | 25,639 | 916,355 |
| Other | 19,228 | 1,010 | - | - | 115 | - | - | 235 | - | - | 13,486 | - | 120,897 |
| Total direct expenses | 527,086 | 39,963 | 24,532 | 55,613 | 3,727 | 3,852 | 23,159 | 2,176 | 455 | 28,833 | 39,917 | 40,656 | 1,694,805 |
| Indirect expenditures | 166,509 | 17,490 | 9,821 | - | 1,476 | - | 332 | 793 | 84 | - | 10,698 | 6,136 | 245,314 |
| Total expenses | 693,595 | 57,453 | 34,353 | 55,613 | 5,203 | 3,852 | 23,491 | 2,969 | 539 | 28,833 | 50,615 | 46,792 | 1,940,119 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES

## CDO PROGRAM

## FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| REVENUES | |
| Grant funds received | $ 795,960 |
| Local revenue | 15,999 |
| Total revenues | 811,959 |
| | |
| EXPENDITURES | |
| Direct expenditures: | |
| Personnel | 181,564 |
| Travel | 9,289 |
| Other | 459,259 |
| Total direct expenditures | 650,112 |
| | |
| Indirect expenditures | 74,186 |
| | |
| Total expenditures | 724,298 |
| | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ 87,661 |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENSES

## WORKFORCE INVESTMENT ACT

## FOR THE YEAR ENDED JUNE 30, 2015

| | Dislocated Worker | Trade Case Management | Adult Services | Total |
|---|---|---|---|---|
| REVENUES | | | | |
| Federal grant revenue | $ 46,287 | $ 15,532 | $ 27,171 | $ 88,990 |
| Local | - | - | - | - |
| Total revenues | 46,287 | 15,532 | 27,171 | 88,990 |
| EXPENSES | | | | |
| Direct expenses: | | | | |
| Personnel | 23,556 | 8,247 | 13,404 | 45,207 |
| Fringe benefits | 10,888 | 3,862 | 5,961 | 20,711 |
| Travel | 1,124 | - | 1,462 | 2,586 |
| Other | 358 | - | - | 358 |
| Total direct expenses | 35,926 | 12,109 | 20,827 | 68,862 |
| Indirect expenditures | 10,361 | 3,423 | 6,344 | 20,128 |
| Total expenses | 46,287 | 15,532 | 27,171 | 88,990 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | $ - | $ - | $ - | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES

## TRANSPORTATION PLANNING

## FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| REVENUES | |
| Grant revenue | $ 66,880 |
| Local cash | 7,429 |
| Total revenues | 74,309 |
| | |
| EXPENDITURES | |
| Direct expenditures: | |
| Personnel | 47,321 |
| Travel | 2,501 |
| Other | - |
| Total direct expenditures | 49,822 |
| | |
| Indirect expenditures | 19,335 |
| | |
| Total expenditures | 69,157 |
| | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ 5,152 |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF REVENUES AND EXPENDITURES

## WATER CONTRACTS

## FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| REVENUES | |
| Grant revenue | $ 60,674 |
| In-kind revenue | - |
| Total revenues | 60,674 |
| | |
| EXPENDITURES | |
| Direct expenditures: | |
| Personnel | 37,992 |
| Travel | 4,719 |
| Other | 2,440 |
| Total direct expenditures | 45,151 |
| | |
| Indirect expenditures | 15,523 |
| | |
| Total expenditures | 60,674 |
| | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ - |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF ALLOCATED COSTS

## FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| INDIRECT EXPENDITURES: | |
| Salaries | $ 133,201 |
| Fringe benefits | 101,137 |
| Travel | 23,803 |
| Postage | 4,708 |
| Legal services | 9,600 |
| Subscriptions | 277 |
| Consumable supplies | 12,238 |
| Building costs | 74,000 |
| Audit | 15,250 |
| Equipment rental | 10,578 |
| Memberships | 8,708 |
| Printing | 1,802 |
| Telephone | 6,987 |
| Utilities | 10,518 |
| Insurance | 17,557 |
| Accounting software | 5,530 |
| Other | 29,232 |
| Total | $ 465,126 |

| | |
|---|---|
| ALLOCATION OF INDIRECT EXPENDITURES: | |
| Joint Funding Administration | $ 83,620 |
| Adult Day services | 17,490 |
| Homecare | 166,509 |
| Aging Title III | 31,975 |
| Workforce Investment Act | 20,128 |
| Transportation Planning | 19,335 |
| Grandparents/Caregivers Program | 10,698 |
| Health Information, Counseling and Assistance | 332 |
| Consumer Direct Options Program | 74,186 |
| Health Benefits Exchange | 9,821 |
| CDSME | 1,476 |
| FAST | 84 |
| MIPPA | 6,136 |
| IAO | 793 |
| Water Contracts | 15,523 |
| Miscellaneous Contracts | 7,020 |
| Total | $ 465,126 |

**FIVCO AREA DEVELOPMENT DISTRICT**

**STATEMENT OF REVENUE AND EXPENDITURES - SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2015**

| | JFA Totals | Area Agency on Aging Totals | CDO Program | WIA Totals | Trans-portation | Water Contracts | Other Contracts | Totals |
|---|---|---|---|---|---|---|---|---|
| REVENUES | | | | | | | | |
| Federal grant | $ 192,471 | $ 770,516 | $ - | $ 88,990 | $ - | $ - | $ - | $ 1,051,977 |
| State grant | 114,754 | 974,187 | 795,960 | - | 66,880 | 60,674 | - | 2,012,455 |
| Local | 17,133 | 3,560 | 15,999 | - | 7,429 | - | 29,652 | 73,773 |
| Program income | - | 24,372 | - | - | - | - | - | 24,372 |
| In-kind | - | 167,484 | - | - | - | - | - | 167,484 |
| Other income | - | - | - | - | - | - | - | - |
| Total revenues | 324,358 | 1,940,119 | 811,959 | 88,990 | 74,309 | 60,674 | 29,652 | 3,330,061 |
| EXPENSES | | | | | | | | |
| Direct expenses: | | | | | | | | |
| Personnel | 204,651 | 633,867 | 181,564 | 65,918 | 47,321 | 37,992 | 17,181 | 1,188,494 |
| Travel | 23,894 | 23,686 | 9,289 | 2,586 | 2,501 | 4,719 | 686 | 67,361 |
| Contracts | - | 916,355 | - | - | - | - | - | 916,355 |
| Other | 12,193 | 120,897 | 459,259 | 358 | - | 2,440 | 471 | 595,618 |
| Total direct expenses | 240,738 | 1,694,805 | 650,112 | 68,862 | 49,822 | 45,151 | 18,338 | 2,767,828 |
| Indirect Expenditures | 83,620 | 245,314 | 74,186 | 20,128 | 19,335 | 15,523 | 7,020 | 465,126 |
| Total expenses | 324,358 | 1,940,119 | 724,298 | 88,990 | 69,157 | 60,674 | 25,358 | 3,232,954 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | $ - | $ - | $ 87,661 | $ - | $ 5,152 | $ - | $ 4,294 | $ 97,107 |

**FIVCO AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2015**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grant Number | | Expenditures |
|---|---|---|---|---|
| U.S. Department of Commerce | | | | |
| Direct Programs - | | | | |
| Title IX RLP | 11.300 | N/A | * | $ 1,213,719 |
| Passed Through Pennyrile Area Development District- | | | | |
| Agriculture Development Information System | 11.307 | A2012-3022 | * | 32,800 |
| Passed Through Big Sandy Development District - | | | | |
| Economic Devlopment Assistance | 11.307 | | * | 24,068 |
| Total Economic Development Cluster | | | | 1,270,587 |
| Passed Through the State Department of Local Government- | | | | |
| Economic Development Administration | 11.302 | PON2 1500000200 | | $ 32,876 |
| Economic Development Administration | 11.302 | PON2 1500000200 | | 7,197 |
| Economic Development Administration | 11.302 | PON2 1500000200 | | 12,276 |
| Appalachian Regional Commission | 23.009 | KY-0702B | | 76,856 |
| Community Development Commission | 14.219 | PON2 1500000200 | | 17,000 |
| | | | | 146,205 |
| Total Department of Commerce | | | | 1,416,792 |
| U.S. Department of Health and Human Services | | | | |
| Passed Through the Kentucky Cabinet for Health and Family Services - | | | | |
| Title III-B - Aging Program -Supportive Services | 93.044 | PON2 725 1400001066 | * | 177,657 |
| Title III-C1 - Congregate Meals | 93.045 | PON2 725 1400001066 | * | 247,192 |
| Title III-C2 - Home Delivered Meals | 93.045 | PON2 725 1400001066 | * | 70,930 |
| Nutrition Services Incentive Program | 93.053 | PON2 725 1400001074 | * | 46,925 |
| Total Aging Cluster | | | | 542,704 |
| Title III-E - Family Caregiver | 93.052 | PON2 725 1400001066 | | 91,278 |
| Title III-D - Aging Program Preventive Health | 93.043 | PON2 725 1400001066 | | 14,861 |
| Title VII - Elder Abuse Prevention | 93.041 | PON2 725 1400001073 | | 2,497 |
| Title VII - Ombudsman | 93.042 | PON2 725 1400001073 | | 4,226 |
| CDSME | 93.725 | PON2 725 1400001162 | | 4,880 |
| Health Benefits Exchange | 93.945 | PON2 725 1400001167 | | 34,353 |
| Aging and Disability Resource Center (ADRC) Part B | 93.778 | PON2 725 1400001160 | | 1,926 |
| MIPPA - AAA/ADRC | 93.071 | PON2 725 1400001168 | | 46,792 |
| Center for Medicare and Medicaid - SHIP | 93.779 | PON2 725 1400001161 | | 23,491 |
| Improving Arthritis Outcomes (IAO) | 93.945 | PON2 725 1400001164 | | 2,969 |
| Functional Assessment Service Team (FAST) | 93.069 | PON2 725 1400001163 | | 539 |
| Total Passed Through the State (CHFS DAIL) | | | | 770,516 |
| Total Department of Health and Human Services | | | | 770,516 |

The accompanying notes are an integral part of this schedule.

FIVCO AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2015

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| U.S. Department of Transportation | | | |
| Passed Through the State Department of Transportation - Urban Mass Transportation Administration/ Ashland Urbanized Area Transportation Planning | 20.205 | 1500002417 | 66,880 |
| Total U.S. Department of Transportation | | | 66,880 |
| U.S. Department of Labor | | | |
| Passed Through the Kentucky Cabinet for Workforce Development - Tenco - PIC - | | | |
| WIA - Adult | 17.258 | FY15-3440 | 27,171 |
| WIA - Trade Case Management | 17.245 | FY15-3440 | 15,532 |
| WIA - Dislocated Worker | 17.260 | FY15-3440 | 46,287 |
| Total WIA Cluster | | | 88,990 |
| Total U.S. Department of Labor | | | 88,990 |
| Total Expenditures of Federal Awards | | | $ 2,343,178 |

* Denotes Major Program.

The accompanying notes are an integral part of this schedule.

## FIVCO AREA DEVELOPMENT DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## FOR THE YEAR ENDED JUNE 30, 2015

### (1) BASIS OF PRESENTATION

This accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of FIVCO Area Development District (the District) under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards was prepared in accordance with principles of "fund" accounting as were the financial statements (see Note 1 of the notes to the financial statements). All federal grant programs, except the Title IX Revolving Loan Fund, are accounted for in the special revenue fund of the financial statements, which uses the modified accrual basis of accounting. Because of the similarity between the modified accrual basis of accounting and the basis on which federal expenditures are reported to funding sources, there were no reconciling differences between the schedule of expenditures of federal awards, the financial statements, and the reports filed with funding sources. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### (3) LOANS

At June 30, 2015, FIVCO had loans outstanding in the amount of $669,681 with an allowance for doubtful accounts of $9,030 under the Title IX-RLF loan program.

### (4) SUBRECIPIENTS

Of the federal expenditures presented in the schedule, FIVCO provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA # | Amount Provided |
|---|---|---|
| Title III | 93.044 & 93.045 | $ 449,138 |
| Preventive Health | 93.043 | 14,330 |
| Ombudsman | 93.042 | 4,226 |
| Elder Abuse | 93.041 | 2,497 |
| Nutrition Services Incentive Program | 93.053 | 46,925 |
| Center for Medicare and Medicaid - SHIP | 93.779 | 23,491 |
| MIPPA – AAA/ADRC | 93.071 | 25,639 |

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors

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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
FIVCO Area Development District
Grayson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of FIVCO Area Development District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise FIVCO Area Development District's basic financial statements, and have issued our report thereon dated November 9, 2015.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FIVCO 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FIVCO Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of FIVCO 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 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 FIVCO Area Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelley Galloway Smith Goldsby, PSC

November 9, 2015
Ashland, Kentucky

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors

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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
FIVCO Area Development District
Grayson, Kentucky

## Report on Compliance for Each Major Federal Program

We have audited FIVCO 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 FIVCO Area Development District's major federal programs for the year ended June 30, 2015. FIVCO 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 FIVCO 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 FIVCO 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 FIVCO Area Development District's compliance.



Pikeville, KY Cold Spring, KY Cincinnati, OH

**Opinion on Each Major Federal Program**

In our opinion, FIVCO 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, 2015.

**Report on Internal Control Over Compliance**

Management of FIVCO 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 FIVCO 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 FIVCO 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.

**Purpose of this Report**

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.

Kelley Galloway Smith Goolsby, PSC

November 9, 2015
Ashland, Kentucky

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## FOR THE YEAR ENDED JUNE 30, 2015

### A. SUMMARY OF AUDITORS' RESULTS

***Financial Statements-***

| | |
|---|---|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| ❑ Material weakness(es) identified? | ____Yes __X__ No |
| ❑ Significant deficiency(ies) identified that are not considered to be material weaknesses? | ____Yes __X__None reported |
| Noncompliance material to the financial statements noted? | ____Yes __X__ No |

***Federal Awards-***

| | |
|---|---|
| Internal control over major programs: | |
| ❑ Material weakness(es) identified? | ____Yes __X__ No |
| ❑ Significant deficiency(ies) identified that are not considered to be material weaknesses? | ____ Yes __X__ None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | ____ Yes __X__ No |
| Identification of Major Programs | CFDA No. |
| Title III Aging Cluster | 93.044, 93.045 & 93.053 |
| Economic Development Cluster | 11.300 & 11.307 |
| Dollar threshold used to distinguish between type A and type B programs: | $300,000 |
| Auditee qualified as low risk auditee? | __X__ Yes ____ No |

## FIVCO AREA DEVELOPMENT DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

## FOR THE YEAR ENDED JUNE 30, 2015

### B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

None noted in the current year.

### C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted in the current year.

## FIVCO AREA DEVELOPMENT DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

## FOR THE YEAR ENDED JUNE 30, 2015

There were no findings in the prior year.

**FIVCO AREA DEVELOPMENT DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED JUNE 30, 2015**

NAME OF CONTACT PERSON

Sherry McDavid (606) 929-1366

CORRECTIVE ACTION PLANNED

No corrective action needed.