

**KENTUCKY RIVER AREA
DEVELOPMENT DISTRICT
Hazard, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kentucky River Area Development District
Hazard, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Kentucky River Area Development 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.

Auditors' Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Kentucky River Area Development District, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and the pension schedules on pages 19-20 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 with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kentucky River Area Development District's basic financial statements. The supplementary budget and program schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary budget and program 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 budget and program schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2016, on our consideration of Kentucky River 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 the Kentucky River Area Development District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
January 16, 2016

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis provides an overview of Kentucky River Area Development District's financial performance during the fiscal years 2015 and 2014. Please read the following in conjunction with the District's audited financial statements.

OVERVIEW OF THE ANNUAL REPORT

This annual report includes the management's discussion and analysis, the independent auditors' report, the District's audited financial statements, and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The District's financial statements utilize the full accrual basis accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board. The required financial statements are the District's statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows. The statement of net position details the District's investments (assets), debt (liabilities), and deferred inflows and outflows. The statement of net position is very similar to a traditional balance sheet. The statement of revenues, expenses and changes in net position classify revenue by source and expenditures by object and changes in fund balance takes into account adjustments for prior year events.

FINANCIAL ANALYSIS OF THE DISTRICT

The Condensed Statement of Net Position reveals the long-term liabilities increased significantly due to the implementation of GASB 68 (see notes 8 and 13) and unrestricted net position for fiscal year 2015, decreased by \$1,698,374 from fiscal year 2014. The District also paid off \$300,000 in debt related to a conference center.

Condensed Statement of Net Position

	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets	\$ 3,180,993	\$ 3,233,308
Other Assets	398,930	440,689
Deferred Outflows	<u>159,284</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>\$ 3,739,207</u>	<u>\$ 3,673,997</u>
Current Liabilities	\$ 216,143	\$ 357,876
Long-term Liabilities	1,771,876	280,000
Deferred Inflows	147,200	-
Net Position		
Investment in capital assets	398,930	140,689
Unrestricted	<u>1,205,058</u>	<u>2,895,432</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 3,739,207</u>	<u>\$ 3,673,997</u>

The statement of revenues, expenses, and changes in net position provides a more detailed look at the nature of these changes. The District had an operating income of \$251,138 for year ended June 30, 2015, which is approximately \$93,000 less than the fiscal year ending June 30, 2014. Revenues decreased as did expenses. The decrease in revenue was \$226,860, while the decrease in expenses totaled \$132,872. This resulted in a \$93,988 decrease in operating income.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>FY 2015</u>	<u>FY 2014</u>
Operating Revenues		
Federal revenues	\$ 1,308,168	\$ 1,422,648
State revenues	1,142,408	1,226,923
Local	<u>3,518,761</u>	<u>3,546,626</u>
Total Operating Revenues	<u>5,969,337</u>	<u>6,196,197</u>
Operating Expenses		
Salaries	1,388,646	1,310,470
Fringe benefits	691,879	706,065
Travel	96,341	110,822
Subgrantees	2,929,286	2,920,018
Non-Capital grant purchases	74,518	47,881
Other	<u>529,529</u>	<u>747,815</u>
Total Expenses	<u>5,710,199</u>	<u>5,843,071</u>
Operating Income	<u>\$ 259,138</u>	<u>\$ 353,126</u>
Bank Interest Income	8,038	7,789
Interest Expense	<u>(16,800)</u>	<u>(17,850)</u>
Change in Net Position	<u>250,376</u>	<u>343,065</u>
Net Position – Beginning of the Year	3,036,121	2,697,882
GASB 68 Restatement	(1,704,178)	-
Adjustments for deferred income, A/R, & write-offs	<u>21,669</u>	<u>(4,826)</u>
Net Position – End of Year	<u>\$ 1,603,988</u>	<u>\$ 3,036,121</u>

The Statement of Cash Flows describes the sources of cash being received by the District and the areas in which that cash was spent. From fiscal year 2015 to fiscal year 2014, Cash and Cash Equivalents decreased by \$38,554. The small decrease in net operating cash can be attributed to a decrease in cash from grantors and local resources and an increase in payments for employee services and benefits.

Condensed Statement of Cash Flows

	<u>FY 2015</u>	<u>FY 2014</u>
Net Cash Flow from Operating Activities	\$ 297,039	\$ 351,906
Net Cash from Capital & Financing Activities	(342,740)	(65,782)
Net Cash provided by (used in) Investing Activities	<u>7,147</u>	<u>6,264</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(38,554)	292,388
Cash & Cash Equivalents – Beginning of the Year	<u>2,089,148</u>	<u>1,796,760</u>
Cash & Cash Equivalents – End of the Year	<u>\$ 2,050,594</u>	<u>\$ 2,089,148</u>

CAPITAL ASSETS

The District invested \$25,940 in capital assets for fiscal year 2015. This amount includes the purchase of computer equipment and the purchase of a new heating and cooling system. Accumulated depreciation increased \$40,719. The net investment in fixed assets at the end of FY 2015 totaled \$398,929.

	<u>Balance June 30, 2013</u>	<u>FY 2014 Additions</u>	<u>FY 2014 Disposals</u>	<u>Balance June 30, 2014</u>	<u>FY 2015 Additions</u>	<u>FY 2015 Disposals</u>	<u>Balance June 30, 2015</u>
Work in Progress	\$ 0	\$ 10,680	\$ 0	\$ 10,680	\$ 3,948	\$ 0	\$ 14,628
Property & Equipment	879,900	30,268	0	910,168	21,992	(153,543)	778,617
Accumulated Depreciation	<u>(439,309)</u>	<u>(40,850)</u>	<u>0</u>	<u>(480,159)</u>	<u>(40,719)</u>	<u>126,563</u>	<u>(394,315)</u>
NET	<u>\$ 440,591</u>	<u>\$ 98</u>	<u>\$ 0</u>	<u>\$440,689</u>	<u>\$ (14,778)</u>	<u>\$ (26,980)</u>	<u>\$398,930</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2016 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2016, several of our state contracts, including Aging, had not been finalized due to budget cuts. We are speculating that our federal and state revenues will most likely be cut. Our Medicaid CDO program should continue to grow in fiscal year 2016. However, major changes may be taking place in the Medicaid CDO program for fiscal year 2017 and may have a large impact for the future. During the year ended June 30, 2015, the District paid the full debt amount on the loan for the conference center totaling \$300,000.

CONTACTING THE DISTRICT

The financial report is designed to provide the District's citizens, investors, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Michelle Allen, Finance Officer, at P.O. Box 239, Hazard, KY 41702 or 941 North Main Street, Hazard, Kentucky 41701.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current assets

Cash	\$ 2,050,594
Certificates of deposit	347,362
Accounts receivable	
Federal, state and local grants	586,938
Related party	194,994
Prepaid expenses	<u>1,105</u>

Total current assets 3,180,993

Other assets

Property and equipment, net	<u>398,930</u>
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Total assets 3,579,923

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension payments	<u>159,284</u>
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Total assets and deferred outflows of resources \$ 3,739,207

LIABILITIES

Current liabilities

Accounts payable	\$ 135,952
Accrued expenses	56,419
Unearned grant revenue	<u>23,772</u>

Total current liabilities 216,143

Long-term liabilities

Accrued annual leave	119,698
Net pension liability	<u>1,652,178</u>

Total long-term liabilities 1,771,876

Total liabilities 1,988,019

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension items	<u>147,200</u>
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NET POSITION

Net investment in capital assets	398,930
Unrestricted	<u>1,205,058</u>

Total net position 1,603,988

Total liabilities, deferred inflows of resources and net position \$ 3,739,207

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2015

OPERATING REVENUES	
Federal	\$ 1,308,168
Commonwealth of Kentucky	1,142,408
Local (includes in-kind)	<u>3,518,761</u>
Total revenues	<u>5,969,337</u>
OPERATING EXPENSES	
Salaries	1,388,646
Fringe benefits	691,879
Travel	96,341
Subgrantees	2,929,286
Title V enrollees	174,668
Supplies	39,484
Postage	10,393
Dues, fees and subscriptions	18,004
Non-capital grant purchases and leases	74,518
Depreciation and amortization	40,719
Other (includes in-kind)	<u>246,261</u>
Total expenses	<u>5,710,199</u>
OPERATING INCOME	259,138
NON-OPERATING INCOME (EXPENSE)	
Bank interest income	8,038
Interest expense	<u>(16,800)</u>
Change in net position	250,376
Net position - beginning of year (as restated)	1,331,943
Adjustment for unearned income, accounts receivable and write-offs from prior years	<u>21,669</u>
NET POSITION - END OF YEAR	<u>\$ 1,603,988</u>

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor agencies	\$ 2,464,653
Local cash received	131,664
Payments to suppliers	(426,441)
Payments for employee services and benefits	<u>(1,872,837)</u>
Net cash provided by operating activities	<u>297,039</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(25,940)
Principal paid on capital debt	(300,000)
Interest expense	<u>(16,800)</u>
Net cash (used in) capital and related financing activities	<u>(342,740)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Bank interest income	8,038
Purchase of certificates of deposit	<u>(891)</u>
Net cash provided by investing activities	<u>7,147</u>

Net (decrease) in cash and cash equivalents (38,554)

Cash and cash equivalents - beginning of the year 2,089,148

CASH AND CASH EQUIVALENTS - END OF THE YEAR \$ 2,050,594

Reconciliation of operating income to net cash provided by operating activities:

Excess revenues over expenses	\$ 259,138
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	40,719
Loss on disposal of assets	26,979
Adjustments for deferred income and accounts receivable	21,669
Pension adjustment	(64,084)
Change in assets and liabilities:	
Receivables, net	13,974
Prepaid expenses	679
Accounts and other payables	(40,208)
Accrued expenses	14,593
Accrued leave	23,477
Unearned revenues	<u>103</u>
Net cash provided by operating activities	<u>\$ 297,039</u>

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kentucky River Area Development District (the District) is a non-profit governmental corporation formed pursuant to KRS Chapter 147A which has as its primary purpose the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of an eight-county area in eastern Kentucky. Executive Order 71-1267, signed November 16, 1971, designated the District as the official comprehensive planning and program development agency for eastern Kentucky. The Order further designated the District as the regional clearinghouse pursuant to United States Office of Management and Budget Circular A-95. The 1972 Kentucky Legislature introduced and passed legislation (House Bill No. 423), which created and established the District under Kentucky law.

Reporting Entity - The District's financial statements include the operations of all entities for which its Board of Directors exercise oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters.

Basis of Presentation - The District's financial statements conform to the provisions of the Codification of the Governmental Accounting Standards Board as it relates to special-purpose governments and, accordingly, the financial statements consist of the following:

Management's discussion and analysis (required supplementary information);
Fund financial statements
Notes to the financial statements

Entity-wide financial statements – The District is a single fund, special-purpose entity that provides regional planning, development and aging services to the cities, counties and non-profit agencies within its eight county area. No entity-wide statements are required because a single proprietary fund is used for the District.

Fund Financial Statements – The District's financial statements include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

Basis of Accounting – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are prepared on a full accrual basis.

Costs for all programs, including those programs outside of the Joint Funding Administration (JFA) have been accounted for under the accounting system prescribed by the JFA. Indirect expenses have been allocated to JFA program elements and other programs on the basis of direct salary and fringe costs as allocated per employee's time records. Non-federal matching contributions are applied to individual programs on the basis of total expenses incurred on the program and the sharing ratio specified in the program agreement.

Revenue Recognition - The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts upon the completion of agreed upon services. The District does not carry an allowance for doubtful accounts because it believes all receivables are collectable. Alternatively, the District writes off accounts receivable at a time it is determined they cannot be collected.

Non-Operating Income – The district recognizes investment income as non-operating income. All other income is recognized as operating income.

Restricted Net Position - The District uses restricted net position first to offset expense, when available, if both restricted and unrestricted net position is available.

Unearned Grant Revenue – Unearned revenue arises when funds are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents – For purposes of the cash flow statement, the District defines cash and cash equivalents as cash in banks, funds in overnight repurchase agreements and any highly liquid investments with initial maturities of 90 days or less.

Fixed Assets - Property and equipment are stated at cost and depreciated over their estimated useful lives of three (3) to ten (10) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles and leasehold improvements. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan.

Budgeting – The District is not required to adopt a legal budget in the manner of most local governmental entities, the budget is an operational and management tool that ensures the maximum use of resources. The budget is approved by the board of directors and monthly reports are presented to the board and management using budget comparisons.

In-Kind - In-kind contributions included in the accompanying financial statements consist of donated volunteer time, facilities or services.

Compensated Absences - Employees of the District accrue sick leave at the rate of 1 day per month. Part-time employees earn sick leave on a pro rata basis as determined by the Executive Director. There is no limit as to the amount of sick leave that may be accrued; however, sick leave is forfeited upon termination of employment. The District will pay into the retirement system an amount equal to six months of the employers' contribution based upon the amount of sick leave the employee has accumulated upon agreement with the retirement system, toward retirement credit of the employee. Annual leave earned is based on seniority at the rates of 12 to 21 days per year and can be carried forward from one year to the next. A maximum of 60 days may be carried forward. All days in excess of 60 that are forfeited are converted to sick leave at the end of the year. The accrued liability for accumulated annual leave reported on the balance sheet at June 30, 2015 is \$119,698.

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

Income Taxes The District is a non-profit organization incorporated November 12, 1974, and is exempt from income taxes under Internal Revenue Code, 501(c)(3) as determined by the IRS in a determination letter dated October 27, 1989. The District is no longer subject to income tax examinations by tax authorities for years before 2012.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through January 16, 2016, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2015, have not been evaluated by the District.

2. CASH AND INVESTMENTS

Kentucky Revised Statutes authorize local governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health Department will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED)

The District's cash and investment balances covered by FDIC insurance and collateralized by the holding institution with an irrevocable, unconditional and non-transferable letter of credit, is detailed as of June 30,:

2015	
FDIC Insurance	\$ 597,362
Collateralized by letter of credit held in District's name	<u>2,000,000</u>
Covered cash and investments	2,597,362
Total cash and investments	<u>2,515,317</u>
Amount not insured/collateralized	<u>\$ 0</u>

The District did not have the letter of credit in place between May 20, 2014 and October 7, 2014. The letter of credit in place at June 30, 2015 expired October 7, 2015.

3. GRANTS RECEIVABLE

Federal, state and local grants receivable consists of the following at June 30, 2015:

2008 Local projects	\$ 7,500
2009 Local projects	10,000
2010 Local projects	3,034
2011 Local projects	41,823
2012 Local projects	20,336
2013 Local projects	48,600
2014 Local projects	18,816
2015 Local projects	36,408
KIA	42,275
Aging	342,947
KYDOT	14,073
Homecare	<u>1,126</u>
 Total grant receivable	 <u>\$ 586,938</u>

4. CAPITAL ASSETS

The District maintains property and equipment used in its operations. Fixed assets are stated at cost and depreciated over their estimated useful lives of three (3) to ten (10) years using the straight-line method of depreciation. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan. The following summarizes the changes in fixed assets during the years ended:

	6/30/2014	FY 2015	FY 2015	6/30/2015
	Balance	Additions	Disposals	Balance
Work in process	\$ 10,680	\$ 3,948	\$ -	\$ 14,628
Building and equipment	910,168	21,992	(153,543)	778,617
Accumulated depreciation	<u>(480,159)</u>	<u>(40,719)</u>	<u>126,563</u>	<u>(394,315)</u>
Net	<u>\$ 440,689</u>	<u>\$ (14,779)</u>	<u>\$ (26,980)</u>	<u>\$ 398,930</u>

Depreciation expense totaled \$40,719 for the year ended June 30, 2015.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

5. UNEARNED GRANT REVENUE

At June 30, 2015, unearned grant revenue includes revenues received, but not earned. For the District, those grants are as follows:

Grant Name	
KOHS Tower project	\$ 2,497
Data collection	1,260
Senior games	8,575
RAM Event	2,736
Senior ADRC	46
Elder Abuse Council	3,733
Kentucky Caregiver	72
TBI	44
Medicare Fraud Grant	3,382
Aging Community Project	1,294
CDSME	<u>133</u>
Total	<u>\$ 23,772</u>

6. LONG-TERM LIABILITIES

During the year ended June 30, 2005, the District obtained a debt issue for \$450,000 to complete a building project to include a training facility, meeting room and convention facility. The debt issue is payable over 20 years with semi-annual interest payments and annual interest payments. The first interest payment was due 10/20/04 with final payment due 10/20/24. The debt issue is at a variable rate with rates from 2.75% to 5.50%. Interest expense for the year ended June 30, 2015 was \$16,800. The District paid the debt issue in full during fiscal year 2015.

Change in long-term liabilities is as follows:

	6/30/2014	Additions	Payments	6/30/2015
Leave	\$ 96,221	\$ 84,830	\$ (61,353)	\$ 119,698
Pension liability	-	1,864,681	(216,503)	1,648,178
Debt	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>
Total	<u>\$ 396,221</u>	<u>\$ 1,949,511</u>	<u>\$ (577,856)</u>	<u>\$ 1,767,876</u>

7. LEASES

The District entered into an operating lease for a copier on April 11, 2012. The terms of the lease require 48 monthly payments in the amount of \$471.90 totaling \$22,651. The district paid \$5,663 for fiscal years 2013, 2014 and 2015. The District will pay \$4,719 for the year ending June 30, 2016.

The District entered into an operating lease on June 1, 2015, for new office space. The lease is for 24 months at a rate of \$8,000 per month. Payments for FY 2016 will total \$96,000 and payments for FY 2017 will total \$88,000.

Additionally, The District leases small equipment on an as-needed basis for short periods of time. Total lease expense for the year ended June 30, 2015 was \$17,506.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. RETIREMENT PLAN

Kentucky River Area Development District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2015, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2015, participating employers contributed 17.67% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$220,749 for the year ended June 30, 2015, or 100% of the required contribution. The contribution was allocated \$159,284 to the CERS pension fund and \$61,465 to the CERS insurance fund.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the District reported a liability of \$1,648,178 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was .051 percent, which was equal to its proportion measured as of June 30, 2013.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2015, the District recognized pension expense of \$132,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	147,200
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	159,284	-
Total	\$ 159,284	\$ 147,200

The \$159,284 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ (36,800)
2017	(36,800)
2018	(36,800)
2019	(36,800)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	4.50%, average, including inflation	
Investment rate of return	7.75%, net of Plan investment expense, including inflation	

Mortality rates were based on 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 actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 - June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions 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 time frame. 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.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

8. RETIREMENT PLAN (CONTINUED)

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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 percent, 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	6.75%	\$ 2,351,325
Current discount rate	7.75%	\$ 1,787,437
1% increase	8.75%	\$ 1,288,051

Payable to the Pension Plan – At June 30, 2015, the District reported a payable of \$7,066 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015. The payable includes both the pension and insurance contribution allocation.

9. COMMITMENTS AND CONTINGENCIES

The financial statements contained herein do not include any provisions or allowances for any questioned or disallowed costs.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

10. PERFORMANCE CONTRACTS

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal years ended June 30, 2015, the following revenues were recorded in performance contracts:

Transportation Planning	\$ 80,565
Transportation Road Updates	9,957
KIA	64,550
KIA - WRIS	19,509
Jackson LS Rehab	15,000
Perry Co. Sanitation	21,800
Letcher Pert/Pine/Cram	700
Letcher Millstone	7,500
Letcher Deanne	1,200
West Campton Sewer	5,000
Breathitt Robinson Water	6,000
Cumberland River Water	550
Campton Bethany Water	1,500
Jenkins Phase III	13,900
KADIS – PADD	6,028
Buckhorn Route 28 Water	650
Letcher Radio Read Meters	250
Ball Creek WWTP	500
Pippa Passes WWTP	500
Perry Lewis Hollow Water	3,000
Craft Colley/Dry Fork Sewer	3,500
Jenkins Phase IV	500
Campton School Apts.	1,700
SPGE Training	5,000
Jenkins KIA	14,500
Perry Pomp Hollow Water	1,500
Other	<u>874</u>
Total performance contracts	<u>\$ 286,233</u>

11. KENTUCKY RIVER MEDICAID CDO

The District provides fiscal management services to Kentucky River Medicaid CDO Inc. Kentucky River Medicaid CDO Inc operates the Consumer Directed Options program for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Kentucky River Area District. Waiver clients have the option to choose CDO at any time. The District serves as the fiscal agent for the client and as a support broker. As clients opt for CDO, Medicaid advances funds based on client budgets. These funds are to be used to pay for services on behalf of the client. Throughout the year, DAIL reassesses the CDO program funding. Funds for each district are realigned and/or increased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed and the funds are paid to each district to reimburse the client account. The District was owed \$194,994 for the year ended June 30, 2015.

12. COST ALLOCATION PLAN

Kentucky River 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 (OMB Circular A-87). A summary of the cost allocation plan begins on page 22. The District is in conformity with 2 CFR Part 225.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

13. RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 68

During 2015 the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, Financial Reporting for Pension Plans.

The guidance contained in Statement 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards GASB requires that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 68 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

Net position, at beginning of year	\$ 3,036,121
Beginning net pension liability	<u>(1,704,178)</u>
Net position, at beginning of year, as restated	<u>\$ 1,331,943</u>

REQUIRED SUPPLEMENTARY INFORMATION

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
 REQUIRED SUPPLEMENTARY SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Last Two Fiscal Years***

	2015	2014
District's proportion of the net pension liability	0.05%	0.05%
District's proportionate share of the net pension liability (asset)	\$ 1,652,178	\$ 1,864,681
District's covered employee payroll	\$ 929,916	\$ 1,168,143
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	177.67%	159.63%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	61.22%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS
Last Three Fiscal Years**

	2015	2014	2013
Contractually required employer contribution	\$ 159,284	\$ 160,503	\$ 134,472
Contributions relative to contractually required employer contribution	<u>\$ 159,284</u>	<u>\$ 160,503</u>	<u>\$ 134,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 929,916	\$ 1,168,143	\$ 1,065,548
Employer contributions as a percentage of covered-employee payroll	17.13%	13.74%	12.62%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

SUPPLEMENTARY INFORMATION

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
for the year ended June 30, 2015**

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 1,308,517	\$ 1,308,517	\$ 1,308,168	\$ (349)
State funds	2,184,590	2,184,590	1,142,408	(1,042,182)
Local dues	88,367	88,367	88,616	249
Local service and other funds	<u>271,045</u>	<u>271,045</u>	<u>3,438,183</u>	<u>3,167,138</u>
 Total revenues	 <u>3,852,519</u>	 <u>3,852,519</u>	 <u>5,977,375</u>	 <u>2,124,856</u>
 EXPENSES				
Salaries and wages	1,214,804	1,214,804	1,388,646	173,842
Employee benefits	756,146	756,146	691,879	(64,267)
Travel	100,750	100,750	96,341	(4,409)
Aging pass through to local agencies	1,066,500	1,066,500	2,929,286	1,862,786
Title V enrollees	167,656	167,656	174,668	7,012
Accounting	36,100	36,100	35,500	(600)
Supplies	40,000	40,000	39,484	(516)
Postage	10,000	10,000	10,393	393
Dues, fees and subscriptions	18,500	18,500	18,004	(496)
Equipment, leases and depreciation	85,300	85,300	115,237	29,937
Other costs	<u>356,763</u>	<u>356,763</u>	<u>227,561</u>	<u>(129,202)</u>
 Total expenses	 <u>3,852,519</u>	 <u>3,852,519</u>	 <u>5,726,999</u>	 <u>1,874,480</u>
 EXCESS REVENUES OVER EXPENSES	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 250,376</u>	 <u>\$ 250,376</u>

COST ALLOCATION POLICY

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY**

All funds expended by Kentucky River Area Development District are charged either to a specific grant and/or program element as a Direct Charge or spread to all grants and/or program elements as a Shared (Indirect) cost. Direct charges are defined in OMB Circular A-87 (2CFR Part 225) 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. Below is a listing of direct and shared costs as they are charged by the District.

Direct/Shared Costs

1. **Salary** - Salaries of all professional employees are charged as direct costs to the grants and/or program elements in which their work is attributable. These charges are based on time sheets submitted by all employees. The Executive Director, fiscal officer and any employee whose time is so fragmented between elements are charged as shared costs.
2. **Employee Burden** - All employee burden which can be specifically related to an employee whose salary is charged as a direct cost is also charged as a direct cost. Similarly, the employee burden of those persons whose salary is charged as a shared cost is charged as a shared cost.
3. **Consultant Contracts and Contractual Services** - Contracts whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services, whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services whose content cannot be directly attributed to a specific program task, are charged as shared costs.
4. **Printing** - Outside printing costs which are readily identifiable and attributable to documents within a specific grant and/or work element are charged as direct costs. Miscellaneous printing costs are charged as shared costs.
5. **Travel** - All travel costs, which are directly attributable to an employee whose salary is charged as a direct cost is also charged as direct cost. All other travel costs, for Staff and Board, are charged as shared costs. Staff travel costs are allocated to grants and/or program elements accordingly to the total time spent by an employee on a specific program element during the month in which the travel occurred.
6. **Vacation, Sick and Holiday Leave** - All leave which can be specifically related to an employee whose salary is being charged as a direct cost is also charged as a direct cost. Any leave which is related to an employee whose salary is being charged as a shared cost is also charged as a shared cost.
7. **Audit Fees** - All audit fees are charged as a shared cost.
8. **Space Cost**- The space cost is charged as a shared cost.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY, continued**

9. **Equipment Rental/Purchase** - Because of the fact that all rental office equipment will, during the course of a fiscal year, benefit all grants and/or program elements, equipment rental costs are charged as shared costs. In accordance with the District's policy on capitalization, all equipment purchases under \$5,000 are charged as shared costs to all grants and program elements. Equipment purchases in excess of \$5,000 are ineligible grant costs and therefore are paid out of local cash. These items are then depreciated, and the depreciation is charged as a shared cost.

10. **Communications** - All communication costs, including telephone, postage and the like, are charged as shared costs.

11. All additional costs which are not identified above are charged as shared costs unless otherwise indicated by the Department for Local Government or prohibited by Federal regulations.

**STATEMENTS OF OPERATIONS
BY PROGRAM**

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
for the year ended June 30, 2015

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	CDO	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	\$ 184,092	\$ 1,110,783	\$ -	\$ -	\$ 13,293	\$ -	\$ -	\$ 1,308,168
State	137,251	832,350	-	-	172,807	-	-	1,142,408
Local	-	2,018,160	-	-	-	96,699	-	2,114,859
Other	-	5,843	25,803	1,250,676	100,133	-	-	1,382,455
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	29,485	-	-	-	-	-	29,485
Applied to programs	21,422	65,782	-	-	21,881	(109,085)	-	-
Total revenues	<u>342,765</u>	<u>4,062,403</u>	<u>25,803</u>	<u>1,250,676</u>	<u>308,114</u>	<u>(12,386)</u>	<u>-</u>	<u>5,977,375</u>
Expenses								
Salaries	144,020	515,329	-	393,924	113,945	-	221,428	1,388,646
Employee benefits	94,709	231,608	-	248,001	64,170	(64,084)	117,475	691,879
Travel	8,792	33,722	70	17,934	15,393	4,024	16,406	96,341
Subgrantees	-	2,929,286	-	-	-	-	-	2,929,286
Other costs	3,046	131,170	25,733	125,508	5,195	55,317	274,878	620,847
Total direct cost	<u>250,567</u>	<u>3,841,115</u>	<u>25,803</u>	<u>785,367</u>	<u>198,703</u>	<u>(4,743)</u>	<u>630,187</u>	<u>5,726,999</u>
Shared costs	92,198	221,288	-	247,913	68,788	-	(630,187)	-
Total expenses	<u>342,765</u>	<u>4,062,403</u>	<u>25,803</u>	<u>1,033,280</u>	<u>267,491</u>	<u>(4,743)</u>	<u>-</u>	<u>5,726,999</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,396</u>	<u>\$ 40,623</u>	<u>\$ (7,643)</u>	<u>\$ -</u>	<u>\$ 250,376</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2015**

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds	\$	184,092			\$ 184,092	\$ -	
State Funds		137,251			137,251	-	
Local Funds		<u>-</u>			<u>21,422</u>	<u>21,422</u>	
		<u>321,343</u>			<u>342,765</u>	<u>21,422</u>	
Expenses							
Community & Economic Planning & Development	120	84,000	64,405	23,730	88,135	4,135	
Community Development Block Grant	125	10,000	8,299	2,929	11,228	1,228	
ARC Planning	130	178,183	137,406	50,347	187,753	9,570	
Management Assistance	140	35,000	28,399	10,556	38,955	3,955	
Program Administration	150	<u>14,160</u>	<u>12,058</u>	<u>4,636</u>	<u>16,694</u>	<u>2,534</u>	
		<u>321,343</u>	<u>250,567</u>	<u>92,198</u>	<u>342,765</u>	<u>21,422</u>	<u>-</u>
Revenues over expenses		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING
for the year ended June 30, 2015**

	Agency Adminis- tration	Social Services III-B	Om- budsman III-B	Admin Title III C1	Cong. Meals III-C1	Admin Title III C2	H.D. Meals III-C2	Preventative Health III-D	Caregiver Admin III E	Caregiver Services / ADRC	Title VII Elder Abuse	Title VII Ombuds- man	Total Homecare	Total Title V	Total Adult Day	Total Contracts
Revenues																
Federal grant	\$ 15,863	\$ 142,527	\$ 17,368	\$ 20,228	\$ 175,849	\$ 10,315	\$ 170,011	\$ 10,385	\$ 6,482	\$ 63,584	\$ 2,532	\$ 4,290	\$ -	\$ 209,415	\$ -	\$ 848,849
State grant	7,287	24,355	3,298	7,782	40,406	6,412	31,787	1,869	2,160	21,195	-	-	548,989	-	12,754	708,294
Local	-	613,866	-	-	384,070	-	915,264	22,260	-	-	-	-	52,174	27,775	2,751	2,018,160
Other	-	4,761	-	-	-	-	-	-	-	-	-	-	856	-	-	5,617
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	989	-	-	21,538	-	6,958	-	-	-	-	-	-	-	-	29,485
Local funds applied	2,285	2,340	1,091	1,783	-	1,674	-	2	1,058	3,184	1,032	1,338	9,188	12,222	1,131	38,328
Total revenues	25,435	788,838	21,757	29,793	621,863	18,401	1,124,020	34,516	9,700	87,963	3,564	5,628	611,207	249,412	16,636	3,648,733
Expenses																
Salaries	10,043	6,552	8,148	12,779	-	7,030	-	-	3,863	23,127	1,546	2,447	166,279	184,430	1,002	427,246
Fringe benefits	5,534	4,222	5,337	6,040	-	3,659	-	-	1,999	14,403	1,018	1,602	116,469	21,249	439	181,971
Staff travel	449	865	741	349	-	369	-	-	202	228	-	-	26,333	2,089	-	31,625
Subgrantees	-	771,499	-	-	621,863	-	1,124,020	34,516	-	-	-	-	179,361	27,775	14,230	2,773,264
Other costs	3,393	1,539	2,323	3,357	-	3,215	-	-	1,372	35,711	10	15	13,567	1,617	408	66,527
Total direct cost	19,419	784,677	16,549	22,525	621,863	14,273	1,124,020	34,516	7,436	73,469	2,574	4,064	502,009	237,160	16,079	3,480,633
Shared costs	6,016	4,161	5,208	7,268	-	4,128	-	-	2,264	14,494	990	1,564	109,198	12,252	557	168,100
Total expenses	25,435	788,838	21,757	29,793	621,863	18,401	1,124,020	34,516	9,700	87,963	3,564	5,628	611,207	249,412	16,636	3,648,733
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 0

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING (CONTINUED)
for the year ended June 30, 2015**

	KY LTC Ombudsman	KY Caregiver / ADRC	Medicaid ADRC	CMS SHIP	CDSME	FAST	HBE	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	NSIP	Total Contracts	Total Area Agency on Aging
Revenues													
Federal grant	\$ -	\$ -	\$ 13,065	\$ 18,840	\$ 1,853	\$ 704	\$ 32,278	\$ 25,452	\$ 11,477	\$ 3,668	\$ 154,597	\$ 261,934	\$ 1,110,783
State grant	34,100	76,891	13,065	-	-	-	-	-	-	-	-	124,056	832,350
Local	-	-	-	-	-	-	-	-	-	-	-	-	2,018,160
Other	226	-	-	-	-	-	-	-	-	-	-	226	5,843
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	29,485
Local funds applied	1,338	8,310	8,638	4,872	14	23	2,950	823	378	108	-	27,454	65,782
Total revenues	35,664	85,201	34,768	23,712	1,867	727	35,228	26,275	11,855	3,776	154,597	413,670	4,062,403
Expenses													
Salaries	14,367	12,009	15,638	10,592	178	368	16,882	11,546	5,136	1,367	-	88,083	515,329
Fringe benefits	9,525	6,606	9,435	5,169	114	134	8,523	6,176	3,047	908	-	49,637	231,608
Staff travel	1,014	353	-	440	37	31	-	222	-	-	-	2,097	33,722
Subgrantees	-	-	-	-	1,425	-	-	-	-	-	154,597	156,022	2,929,286
Other costs	1,531	59,044	12	1,424	-	-	12	1,487	512	621	-	64,643	131,170
Total direct cost	26,437	78,012	25,085	17,625	1,754	533	25,417	19,431	8,695	2,896	154,597	360,482	3,841,115
Shared costs	9,227	7,189	9,683	6,087	113	194	9,811	6,844	3,160	880	-	53,188	221,288
Total expenses	35,664	85,201	34,768	23,712	1,867	727	35,228	26,275	11,855	3,776	154,597	413,670	4,062,403
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HOMECARE
for the year ended June 30, 2015**

	Admin	Assessment	Case Management	Social Services	H.D.Meals	Total Homecare
Revenues						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	54,898	15,007	147,657	313,562	17,865	548,989
Local	-	-	1,739	48,765	1,670	52,174
Other	-	-	806	50	-	856
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	2,030	14	7,144	-	-	9,188
Total revenues	56,928	15,021	157,346	362,377	19,535	611,207
Expenses						
Salaries	23,644	5,865	63,400	73,370	-	166,279
Fringe benefits	12,348	4,137	43,210	56,774	-	116,469
Staff travel	280	1,140	4,964	19,949	-	26,333
Subgrantees	-	-	1,739	158,087	19,535	179,361
Other costs	6,756	16	2,860	3,935	-	13,567
Total direct cost	43,028	11,158	116,173	312,115	19,535	502,009
Shared costs	13,900	3,863	41,173	50,262	-	109,198
Total expenses	56,928	15,021	157,346	362,377	19,535	611,207
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE V AND ADC
for the year ended June 30, 2015**

	Title V			Total Title V	ADC		Total ADC
	Admin	Enrollees	Other		Admin	Services	
Revenues							
Federal grant	\$ 16,143	\$ 167,577	\$ 25,695	\$ 209,415	\$ -	\$ -	\$ -
State grant	-	-	-	-	1,275	11,479	12,754
Local	-	-	27,775	27,775	-	2,751	2,751
Other	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-
Local funds applied	3,237	6,377	2,608	12,222	1,131	-	1,131
Total revenues	<u>19,380</u>	<u>173,954</u>	<u>56,078</u>	<u>249,412</u>	<u>2,406</u>	<u>14,230</u>	<u>16,636</u>
Expenses							
Salaries	9,762	161,120	13,548	184,430	1,002	-	1,002
Fringe benefits	3,679	12,834	4,736	21,249	439	-	439
Staff travel	707	-	1,382	2,089	-	-	-
Subgrantees	-	-	27,775	27,775	-	14,230	14,230
Other costs	41	-	1,576	1,617	408	-	408
Total direct cost	<u>14,189</u>	<u>173,954</u>	<u>49,017</u>	<u>237,160</u>	<u>1,849</u>	<u>14,230</u>	<u>16,079</u>
Shared costs	5,191	-	7,061	12,252	557	-	557
Total expenses	<u>19,380</u>	<u>173,954</u>	<u>56,078</u>	<u>249,412</u>	<u>2,406</u>	<u>14,230</u>	<u>16,636</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER AGING PROGRAMS
for the year ended June 30, 2015

	Elder Council	Senior Games	Medicaid Fraud Grant	Community Service Projects	Total Other Aging
Revenues					
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-
Local	-	-	-	-	-
Other	13,282	7,935	220	4,366	25,803
Interest on advance	-	-	-	-	-
Program income	-	-	-	-	-
Local funds applied	-	-	-	-	-
Total revenues	<u>13,282</u>	<u>7,935</u>	<u>220</u>	<u>4,366</u>	<u>25,803</u>
Expenses					
Salaries	-	-	-	-	-
Fringe benefits	-	-	-	-	-
Staff travel	-	70	-	-	70
Subgrantees	-	-	-	-	-
Other costs	<u>13,282</u>	<u>7,865</u>	<u>220</u>	<u>4,366</u>	<u>25,733</u>
Total direct cost	13,282	7,935	220	4,366	25,803
Shared costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>13,282</u>	<u>7,935</u>	<u>220</u>	<u>4,366</u>	<u>25,803</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
CONSUMER DIRECTED OPTION (CDO)
for the year ended June 30, 2015**

	HCB Fin. Mgmt.	HCB Support Brok.	Durable Goods	Total CDO
Revenues				
Federal grant	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-
Local	-	-	-	-
Other	281,900	850,162	118,614	1,250,676
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	-	-	-
	<u>281,900</u>	<u>850,162</u>	<u>118,614</u>	<u>1,250,676</u>
Total revenues	<u>281,900</u>	<u>850,162</u>	<u>118,614</u>	<u>1,250,676</u>
Expenses				
Salaries	112,019	281,905	-	393,924
Fringe benefits	66,099	181,902	-	248,001
Staff travel	-	17,934	-	17,934
Subgrantees	-	-	-	-
Other costs	1,651	5,243	118,614	125,508
	<u>179,769</u>	<u>486,984</u>	<u>118,614</u>	<u>785,367</u>
Total direct cost	<u>179,769</u>	<u>486,984</u>	<u>118,614</u>	<u>785,367</u>
Shared costs	<u>68,790</u>	<u>179,123</u>	<u>-</u>	<u>247,913</u>
	<u>248,559</u>	<u>666,107</u>	<u>118,614</u>	<u>1,033,280</u>
Total expenses	<u>248,559</u>	<u>666,107</u>	<u>118,614</u>	<u>1,033,280</u>
Revenue over expenses	<u>\$ 33,341</u>	<u>\$ 184,055</u>	<u>\$ -</u>	<u>\$ 217,396</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2015**

	Transportation Planning	Transportation Road Updates	Waste Water Planning	Misc. Performance Contracts	Total
Revenues					
Federal	\$ -	\$ 7,964	\$ -	\$ 5,329	\$ 13,293
State	80,565	1,993	-	90,249	172,807
Local					-
Other	-	-	70	100,063	100,133
Interest on advance	-	-	-	-	-
Program income	-	-	-	-	-
Applied to programs	21,604	229	48	-	21,881
Total revenues	<u>102,169</u>	<u>10,186</u>	<u>118</u>	<u>195,641</u>	<u>308,114</u>
Expenses					
Salaries	44,346	4,261	-	65,338	113,945
Employee benefits	23,596	3,018	-	37,556	64,170
Travel	6,309	96	-	8,988	15,393
Subgrantees	-	-	-	-	-
Other costs	1,679	-	118	3,398	5,195
Total direct cost	75,930	7,375	118	115,280	198,703
Shared costs	26,239	2,811	-	39,738	68,788
Total expenses	<u>102,169</u>	<u>10,186</u>	<u>118</u>	<u>155,018</u>	<u>267,491</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,623</u>	<u>\$ 40,623</u>



**INDEPENDENT AUDITORS' 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
Kentucky River Area Development District
Hazard, 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 Kentucky River 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, and have issued our report thereon dated January 16, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

RFH

RFH, PLLC
January 16, 2016



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

To the Board of Directors
Kentucky River Area Development District
Hazard, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Kentucky River Area Development District's (the District) 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 the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Kentucky River 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 the 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 the 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 the District's internal control over compliance.

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

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

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

RFH

RFH, PLLC
January 16, 2016

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2015**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
Appalachian Regional Commission				
Direct Award				
ARC Planning	23.009	KY-0702I-C45	1/1/14-12/31/14	\$ 54,522
ARC Planning	23.009	KY-702-1-C46-15	1/1/15-12/31/15	33,210
JFA-Management Assistance	23.009	KY-702-1-C46-15	1/1/15-12/31/15	17,000
JFA-Program Assistance	23.009	KY-702-1-C46-15	1/1/15-12/31/15	<u>7,160</u>
Total Appilacian Regional Commission				<u>111,892</u>
U.S. Department of Commerce				
Economic Development Administration				
Passed through State (DLG) (Note 1)				
JFA-Community and Economic Assistance	11.302	FY 2015 JFA MOA	7/1/14-6/30/15	67,200
Passed through Pennyriple Area Development District				
Kentucky Agriculture Development Information System	11.307	MOU	7/1/13-6/30/15	<u>5,329</u>
Total Department of Commerce				<u>72,529</u>
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG) (Note 1)				
JFA- CDBG	14.218	FY 2015 JFA MOA	7/1/14-6/30/15	<u>5,000</u>
U.S. Federal Highway Administration (FHWA)				
Passed through the Kentucky Transportation Cabinet				
Road updates, various counties	20.205	P02 625 1400005627	7/1/14-6/30/15	<u>7,965</u>
U.S. Department of Health and Human Services (HHS)				
Passed through State (CFHS/DAIL) (Note 2)				
Title III B Support Services	93.044	PON2 725 1400001066 3	7/1/14-6/30/15	170,448
Title III C1 Congregate Meals	93.045	PON2 725 1400001066 3	7/1/14-6/30/15	196,077
Title III C2 Home Delivered Meals	93.045	PON2 725 1400001066 3	7/1/14-6/30/15	180,326
NISP	93.053	PON2 725 1400001074 1	7/1/14-6/30/15	<u>154,597</u>
Total aging cluster				701,448
Title VII Elder Abuse	93.041	PON2 725 1400001073 2	7/1/14-6/30/15	2,532
Title VII Ombudsman	93.042	PON2 725 1400001073 2	7/1/14-6/30/15	4,290
Title III D Preventative Health	93.043	PON2 725 1400001066 3	7/1/14-6/30/15	11,070
Title III E Caregiver	93.052	PON2 725 1400001066 3	7/1/14-6/30/15	74,690
FAST	93.069	PON2 725 1400001163 1	7/1/14-6/30/15	704
MIPPA SHIP/ AAA/ ADRC	93.071	PON2 725 1400001168 2	7/1/14-6/30/15	40,597
CDSME - ARRA	93.725	PON2 725 1400001162 3	7/1/14-6/30/15	1,853
Medicaid ADRC	93.778	PON2 725 1400001160 4	7/1/14-6/30/15	13,065
CMS SHIP	93.779	PON2 725 1400001161 3	7/1/14-6/30/15	18,840
Health Benefits Exchange	93.945	PON2 725 1400001167 1	7/1/14-6/30/15	<u>32,278</u>
Total HHS				<u>901,367</u>
U.S. Department of Labor (DOL)				
Passed through State (CFHS/DAIL)				
Title V SCSEP	17.235	PON2 725 1400001202 1	7/1/14-6/30/15	<u>209,415</u>
Total federal awards, as presented in the financial statements.				<u>\$ 1,308,168</u>

Notes:

- 1) The Joint Funding Administration (JFA) program, which is reported under various federal agencies, is passed through the Commonwealth of Kentucky, Department of Local Government (DLG).
- 2) The Health & Human Services programs are passed through from the Commonwealth of Kentucky, Cabinet for Health and Family Services (CFHS), Department of Aging and Independent Living (DAIL).
- 3) Unearned revenue from other grantors both current and prior are disclosed in Note 5 to the financial statements.

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kentucky River Area Development District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2015**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes No

Significant deficiencies identified that are not
considered to be material weaknesses Yes None reported

Non-compliance material to financial statements noted Yes No

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

Significant deficiencies identified that are not
considered to be material weaknesses Yes None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of Circular A-133? Yes No

Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.044, 93.045, 93.053	Title III, Part B & C, NSIP Cluster

Dollar threshold used to distinguish between type A
and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? Yes No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE