

**PENNYRILE AREA DEVELOPMENT DISTRICT  
300 HAMMOND DRIVE  
HOPKINSVILLE, KENTUCKY 42240**

**FINANCIAL AND COMPLIANCE AUDIT**

**JUNE 30, 2015**

## TABLE OF CONTENTS

Board of Directors	
Pennyrile Area Development District (Unaudited)	1
West Kentucky Workforce Investment Board (Unaudited)	2
Pennyrile Housing Corporation (Unaudited)	3
Pennyrile Development and Governmental Center (Unaudited)	4
Independent Auditor’s Report	5
Management’s Discussion and Analysis (Unaudited)	7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to the Financial Statements	19
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability – County Employee Retirement System (Unaudited)	41
Schedule of Contributions – County Employee Retirement System (Unaudited)	42
Notes to Required Supplementary Information (Unaudited)	43
Supplementary Information	
Schedule of Expenditures of Federal Awards	44
Notes to the Schedule of Expenditures of Federal Awards	46
Statement of Net Position – Between the Rivers Duplex	48
Statement of Revenues, Expenses and Changes in Net Position – Between the Rivers Duplex	49
Statement of Revenues and Expenditures by Program – Statutory Basis	50
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 <i>Government Auditing Standards</i>	57
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	59
Schedule of Findings and Questioned Costs	61

**PENNYRILE AREA DEVELOPMENT DISTRICT  
BOARD OF DIRECTORS (UNAUDITED)**

June 30, 2015

Officers

Judge Rick Newman, Chair  
Ms. Lori Harper, Vice Chair  
Mayor Scott Marshall, Treasurer  
Judge Donnie Carroll, Secretary  
Jason Vincent, Executive Director

Caldwell County

Ellen Dunning, Judge/Executive  
George Barber, Citizen Representative  
Nicky Baker, Citizen Representative  
Danny Beavers, Mayor of Princeton

Christian County

Steve Tribble, Judge/ Executive  
Lori Harper, Citizen Representative  
Carter Hendricks, Mayor of Hopkinsville  
Rev. Buddy Slaughter, Citizen Representative  
Bernard Standard, Citizen Representative

Crittenden County

Perry Newcom, Judge/ Executive  
Mark Bryant, Mayor's Designee  
Robert B. Frazer, Citizen Representative  
Gareth Hardin, Citizen Representative

Hopkins County

Donnie Carroll, Judge/ Executive  
David Jackson, Mayor of Madisonville  
Frank Stafford, Mayor of Mortons Gap  
Jenny Sewell, Mayor of Dawson Springs

Livingston County

Chris Lasher, Judge/ Executive  
Crissy Carter, Citizen Representative  
Billy McGee, Mayor's Designee  
Rell Peck, Mayor's Designee  
Kim Kraemer, Citizen Representative

Lyon County

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

Muhlenburg County

Rick Newman, Judge/Executive  
Gary Jones, Board Member  
Barry Shaver, Mayor of Central City  
Jan Yonts, Mayor of Greenville

Todd County

Daryl Greenfield, Judge/ Executive  
Nancy Camp, Mayor of Elkton  
Jo Ann Holder, Mayor of Trenton  
Scott Marshall, Mayor of Guthrie

Trigg County

Hollis Alexander, Judge/Executive  
Kim Humphries, Board Member  
Todd King, Mayor of Cadiz  
John Sumner, Citizen Representative

**WEST KENTUCKY WORKFORCE INVESTMENT BOARD  
BOARD OF DIRECTORS (UNAUDITED)**

June 30, 2015

Officers

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

**Chief Elected Officials**

Greg Terry-Purchase  
Rick Newman-Pennyrile

**Partner Agencies**

*Education Partners*

Dr. Brian VanHorn-Purchase  
Dr. Jay Allen-Pennyrile

*Economic Development Partners*

Mark Manning-Purchase  
Dan Bozarth-Pennyrile

*One-Stop Partners*

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

*Community Based Organization Partners*

Leigh Ann Jarvis-J.U. Kevil Memorial Foundation, Purchase  
Vacant-Pennyrile

*Community Based Services Partners*

Renee Buckingham-Department for Community Based Services, Pennyrile  
Torey Earle-UK Youth Extension Services, Purchase

**Business Representatives**

Clyde Elrod, Ballard Co.  
Mary Beth Hudson-Marshall Co.  
Dennis Courtney-Calloway County  
Phillip Bean-Carlisle County  
Eric Rotermond-City of Mayfield  
Jill Celaya-Graves County  
Kreg Denton-Hickman County  
Vacant-McCracken Co.  
Crystal Balentine-City of Paducah  
David Puckett-City of Benton  
Glenda Harper-Caldwell County  
Jackie Jones-Christian County  
Donnie Holland-Trigg County  
Phil Dunn-City of Hopkinsville  
Terry L. Ford-Crittenden County  
Velva Yarbrough-Fulton County  
Ben Spears-Hopkins County  
Bryan Blount-Todd County  
Vacant-Business at Large  
Vacant-Livingston County  
Barbara Williams-Muhlenberg Co.  
Vacant-City of Madisonville  
Williams (Scott) Smith-Lyon County  
Don Fraher-City of Murray

*Labor Partners*

Jim H. Key-Purchase  
Bruce Taylor-Pennyrile

**PENNYRILE HOUSING CORPORATION  
BOARD OF DIRECTORS (UNAUDITED)**

June 30, 2015

Officers

Frank Stafford, Chair  
Heath Duncan, Vice Chair

Caldwell County

Gale Cherry, Director  
Sandra Morse, Director  
Ellen Dunning, Judge/Executive

Christian County

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

Crittenden County

Todd Perryman, Director  
Darrin Tabor, Director

Hopkins County

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

Livingston County

Randell O'Bryan, Director  
Barkley Gains, Director

Lyon County

Lilburn Ann Denney, Director  
Gerald Board, Director

Muhlenberg County

Morgan Newman Armstrong, Director  
Gary Jones, Director

Todd County

Daryl Greenfield, Judge/Executive

Trigg County

Hollis Alexander, Judge/ Executive  
Lucy Miller, Director

**PENNYRILE DEVELOPMENT AND GOVERNMENTAL CENTER  
BOARD OF DIRECTORS (UNAUDITED)**

June 30, 2015

Officers

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

Caldwell County  
Sherman Chaudoin

Christian County  
Roger Jeffers

Hopkins County  
Ron Johnson

Todd County  
Cecil Mallory

Trigg County  
David Shore



**THURMAN CAMPBELL GROUP, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Members:  
American Institute of  
Certified Public Accountants  
  
Kentucky Society of  
Certified Public Accountants  
  
Tennessee Society of  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units and each major fund of Pennyriple Area Development District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Pennyriple Area Development District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units and each major fund of Pennyriple Area Development District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

**Change in Accounting Principle**

As discussed in Note 10 to the financial statements, Pennyriple Area Development District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The implementation resulted in a restatement of prior year net position. 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, schedule of proportionate share of the net pension liability, and schedule of contributions on pages 7 – 12, 41 and 42 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennyriple Area Development District's basic financial statements. The Statement of Net Position – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Position – Between the Rivers Duplex and the Statements of Activities by Program – Statutory Basis on pages 48, 49 and 50 – 56 are presented for purposes of additional analysis as required by grantors and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 44 - 45 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 Statement of Net Position – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Position – Between the Rivers Duplex, the Statements of Activities by Program – Statutory Basis 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 schedule of expenditures of federal awards 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 January 11, 2016, on our consideration of Pennyriple 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 Pennyriple Area Development District's internal control over financial reporting and compliance.

*Thurman Campbell Group, PLC*

Hopkinsville, Kentucky  
January 11, 2016

**PENNYRILE AREA DEVELOPMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Pennyrile Area Development District (“District”) offers this Management’s Discussion and Analysis to provide an overview and analysis of the District’s financial activities for the fiscal year ended June 30, 2015. To fully understand the entire scope of the District’s financial activities, this information should be read in conjunction with the financial statements provided in this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities by \$702,337 at June 30, 2015.
- The District’s total net position increased by \$157,810 during the year.
- The Fund Balance, a measure of current financial resources, decreased in the governmental funds by \$235,899 to a fund balance of \$2,596,568 at June 30, 2015. As contract amounts vary from year to year, some of the excess revenues over expenditures have been set aside for administration of future projects. Programs with excess revenues to be used in upcoming fiscal years are listed as follows:
  - Economic Development - \$27,785
  - Relending Programs - \$38,566

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 13 – 14 of this report.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 15 – 18 of this report.

Notes to the Financial Statements

These notes provide additional information crucial to understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 19 – 40 of this report.

Required Information

Required supplemental information is shown on pages 41 – 43 of the report.

Supplementary Information

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

Supplementary information that is not a required part of the basic financial statements can be found on pages 44 – 56 of this report.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$702,337 at June 30, 2015. The District's net investment in capital assets reflects its investment in capital assets less outstanding related debt used to acquire those assets. These assets are not available for future spending. Although the District's capital investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

<b>Pennyrile Area Development District Net Position</b>						
	<b>Governmental Activities</b>		<b>Component Unit Activities</b>		<b>Total</b>	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
<b>Assets</b>						
Current and Other Assets	\$ 4,618,022	\$ 4,840,717	\$ 609,905	\$ 1,168,882	\$ 5,227,927	\$ 6,009,599
Capital Assets	911,553	859,028	461,124	427,016	1,372,677	1,286,044
Total Assets	<u>5,529,575</u>	<u>5,699,745</u>	<u>1,071,029</u>	<u>1,595,898</u>	<u>6,600,604</u>	<u>7,295,643</u>
<b>Deferred Outflows or Resources</b>						
Pension Deferred Outflows	-	322,022	-	-	-	322,022
Total Deferred Outflows or Resources	<u>-</u>	<u>322,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,022</u>
<b>Liabilities</b>						
Current and Other Liabilities	599,854	1,046,824	337,059	964,548	936,913	2,011,372
Net Pension Liability	-	2,630,890	-	-	-	2,630,890
Long-Term Liabilities	1,674,187	1,366,159	751,247	667,004	2,425,434	2,033,163
Total Liabilities	<u>2,274,041</u>	<u>5,043,873</u>	<u>1,088,306</u>	<u>1,631,552</u>	<u>3,362,347</u>	<u>6,675,425</u>
<b>Deferred Inflows of Resources</b>						
Deferred Revenue	31,547	27,051	7,182	7,682	38,729	34,733
Deferred Pension Inflow	-	205,170	-	-	-	205,170
Total Deferred Inflows of Resources	<u>31,547</u>	<u>232,221</u>	<u>7,182</u>	<u>7,682</u>	<u>38,729</u>	<u>239,903</u>
<b>Net Position</b>						
Net Investment in Capital Assets	318,400	279,177	(55,500)	(74,367)	262,900	204,810
Restricted:						
Revolving Loan Fund	190,000	190,000	-	-	190,000	190,000
Intermediary Relending Program	555,556	572,446	-	-	555,556	572,446
Mini Loan Fund	25,000	-	-	-	25,000	-
Unrestricted	2,135,031	(295,950)	31,041	31,031	2,166,072	(264,919)
Total Net Position	<u>\$ 3,223,987</u>	<u>\$ 745,673</u>	<u>\$ (24,459)</u>	<u>\$ (43,336)</u>	<u>\$ 3,199,528</u>	<u>\$ 702,337</u>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Pennyrile Area Development District Changes in Net Position**

	<b>Governmental Activities</b>		<b>Component Unit Activities</b>	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 453,368	\$ 423,986	\$ 43,057	\$ 48,595
Operating Grants and Contributions	5,325,282	4,764,285	5,339,457	5,563,796
General Revenues				
Annual Assessments	64,962	65,816	-	-
Interest Earned	9,169	9,034	616	675
Other Revenues	4,607	10,131	-	-
<b>Total Revenues</b>	<u>5,857,388</u>	<u>5,273,252</u>	<u>5,383,130</u>	<u>5,613,066</u>
<b>Expenses</b>				
General Government	21,119	(81,368)	-	-
Community/Economic Development	1,001,172	1,017,632	-	-
Transportation Services	122,719	97,209	-	-
Aging & Independent Living Services	4,521,126	3,985,957	-	-
Revolving Loan Fund	11,431	5,979	-	-
Intermediary Relending Program	8,074	8,068	-	-
Pennyrile Development & Gov't Center	42,824	41,195	-	-
Pennyrile Housing Corporation	-	-	234,114	166,911
Workforce Investment Board	-	-	5,153,656	5,452,588
Interest on Long-Term Debt	25,242	21,893	13,043	12,444
<b>Total Expenses</b>	<u>5,753,707</u>	<u>5,096,565</u>	<u>5,400,813</u>	<u>5,631,943</u>
Change in Net Position	103,681	176,687	(17,683)	(18,877)
Net Position - Beginning	3,120,306	3,223,987	(6,776)	(24,459)
Net Position Adjustment	-	(2,655,001)	-	-
<b>Net Position - Ending</b>	<u>\$ 3,223,987</u>	<u>\$ 745,673</u>	<u>\$ (24,459)</u>	<u>\$ (43,336)</u>

Changes in Net Position – Governmental Activities. The District's governmental activities increased net position by \$176,687 in the fiscal year 2015. Key elements of the increase are as follows:

Total revenues were \$5,273,252, a decrease of 10% over the prior year. Of this, program revenues represent 98% of total revenues. Major sources of program revenues include various community support funding and grants. General revenues represent 2% of total revenues. Major sources of general revenues include annual assessments and interest income.

Total expenditures were \$5,096,565, a decrease of 11% from the previous year. Of this, the major functions include aging and independent living services and community and economic development services. Together they comprise 98% of the total program expenditures.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The net position adjustment of (\$29,513) was to return the remaining funds used to manage the Christian County Mini Loan Fund. The Christian County Fiscal Court provided the original capital funds to manage the loan fund. As the loan fund ceased to exist as of September 2014, the remaining funds were returned to the Christian County Fiscal Court.

The agency recorded a prior period adjustment of (\$2,625,488) to adjust the net pension liability.

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

1. The PHC's total revenues were \$156,416, a decrease of 32% from the prior year. Of this, program revenues represent 100% of total revenues. Charges for services and operating grants and contributions are the major sources of program revenue.

Expenditures totaled \$179,355 a decrease of 29% from the previous year.

2. The WKWIB's total revenues were \$5,452,588, an increase of 6% from the prior year. The WKWIB did not have any general revenues during the 2015 or 2014 fiscal years.

Expenditures totaled \$5,452,588, an increase of 6% from the previous year.

**CAPITAL ASSETS**

The District's investment in capital assets as of June 30, 2015 is \$1,286,044 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

**Pennyrile Area Development District Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Component Unit Activities</b>		<b>Total</b>	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Land	\$ 9,988	\$ 9,988	\$ -	\$ -	\$ 9,988	\$ 9,988
Buildings and Improvements	1,345,393	1,345,393	647,518	647,518	1,992,911	1,992,911
Office Furniture and Equipment	224,408	224,408	25,506	25,506	249,914	249,914
Computers and Equipment	194,037	195,844	233,889	233,889	427,926	429,733
Vehicles	103,253	103,174	-	-	103,253	103,174
Construction in Progress	-	-	13,748	3,186	13,748	3,186
	<u>1,877,079</u>	<u>1,878,807</u>	<u>920,661</u>	<u>910,099</u>	<u>2,797,740</u>	<u>2,788,906</u>
Less Accumulated Depreciation	<u>(965,526)</u>	<u>(1,019,779)</u>	<u>(459,537)</u>	<u>(483,083)</u>	<u>(1,425,063)</u>	<u>(1,502,862)</u>
Total Net Capital Assets	<u>\$ 911,553</u>	<u>\$ 859,028</u>	<u>\$ 461,124</u>	<u>\$ 427,016</u>	<u>\$ 1,372,677</u>	<u>\$ 1,286,044</u>

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

**LONG TERM DEBT**

At year-end, the District had \$1,456,208 in outstanding notes and program debt, compared to \$1,544,927 at June 30, 2014. The PHC had \$709,313 in outstanding notes and program debt, compared to \$751,247 at June 30, 2014.

The Pennyrile Development and Governmental Center had \$579,851 in outstanding notes at June 30, 2015 compared to \$593,153 at June 30, 2014.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

During the year, \$13,302 was paid to reduce the debt outstanding related to the building addition, \$75,417 was paid to reduce re-lending program debts, and \$18,428 was paid to reduce the loan for the PHC apartment duplex located in Grand Rivers, Kentucky.

The Pennyrile Housing Corporation's payments to the Kentucky Housing Corporation for the Nonprofit Housing Production loans were \$23,508. These loans are drawn down periodically as the money is needed for various housing projects. There were no borrowings during the fiscal year ended June 30, 2015.

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

#### ECONOMIC FACTORS

During the 2015 fiscal year, the District completed its 46th year of providing leadership on regional issues. The District is actively involved and partnering with other agencies to provide regional planning; review and technical services in areas of public administration, social services, economic development, workforce development and infrastructure development to the local Pennyrile communities in Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd and Trigg counties.

Reductions in Federal and State Program funding continue to have a negative impact on the District's funding level. Both Congress and the State Legislature continue to look for areas to reduce discretionary spending. At the federal level, funding for some of the programs operated by the District have been reduced and continue to be targets for federal reductions in the future. Similarly, at the state level, future budgets will have to absorb substantial liabilities in the areas of pension, healthcare, and continued investment in much needed infrastructure. The District is engaged with Legislative and Cabinet level leaders in order to monitor potential shortfalls impacting programs operated by the District. Management continues to make every effort to minimize any negative impact on future operations.

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

#### REQUESTS FOR INFORMATION

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

Respectfully Submitted,

Jason Vincent, Executive Director

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Pennyrile Housing Corporation</u>	<u>Workforce Investment Board</u>
<b><u>Assets</u></b>			
Non-Restricted Cash and Cash Equivalents	\$ 1,298,554	\$ 276,129	\$ 2,332
Program Receivables	1,081,532	7,924	1,033,522
Receivables Due from (to) Other Governments	212,383	(87,168)	(125,215)
Other Current Assets	16,230	-	-
Non-Current Assets:			
Certificates of Deposit	830,196	-	-
Notes Receivable, Due Within One-Year	150,349	10,531	-
Notes Receivable, Due in More Than One Year	1,251,473	50,827	-
Depreciable Capital Assets, Net	849,040	423,830	-
Non-Depreciable Capital Assets	9,988	3,186	-
<b>Total Assets</b>	<u>5,699,745</u>	<u>685,259</u>	<u>910,639</u>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows related to pensions	322,022	-	-
<b>Total Deferred Outflows of Resources</b>	<u>322,022</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>			
Accounts Payable	677,836	6,215	901,368
Grants Payable	13,366	-	-
Other Current Liabilities	124,074	5,385	9,271
Current Portion of Long Term Debt	90,049	42,309	-
Non-Current Liabilities:			
Accrued Annual Leave	141,499	-	-
Net Pension Liability	2,630,890	-	-
Long Term Debt Less Current Portion	1,366,159	667,004	-
<b>Total Liabilities</b>	<u>5,043,873</u>	<u>720,913</u>	<u>910,639</u>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue	27,051	7,682	-
Deferred Inflows Related to Pensions	205,170	-	-
<b>Total Deferred Inflows of Resources</b>	<u>232,221</u>	<u>7,682</u>	<u>-</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	279,177	(74,367)	-
Restricted:			
Revolving Loan Fund	190,000	-	-
Intermediary Relending Program	572,446	-	-
Unrestricted	(295,950)	31,031	-
<b>Total Net Position</b>	<u>\$ 745,673</u>	<u>\$ (43,336)</u>	<u>\$ -</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Functions/Programs</b>	<b>Program Revenues</b>					<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Direct Expenses</b>	<b>Shared Costs Allocation</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Governmental Activities</b>	<b>Component Units</b>
<b>Primary Government</b>							
Governmental Activities							
General Governments	\$ (82,474)	\$ 1,191	\$ 4,768	\$ (31,212)	\$ -	\$ 54,839	\$ -
Community/Economic Development	800,425	184,243	306,903	705,539	-	27,774	-
Transportation Services	95,718	34,374	-	130,090	-	(2)	-
Aging Services	3,742,398	243,555	-	3,959,868	-	(26,085)	-
Revolving Loan Fund	4,420	1,558	26,012	-	-	20,034	-
Intermediary Relending Program	5,904	2,165	32,525	-	-	24,456	-
Pennyrile Development & Gov't Center	41,195	-	53,778	-	-	12,583	-
Interest on Long-Term Debt	21,893	-	-	-	-	(21,893)	-
Total Governmental Activities	4,629,479	467,086	423,986	4,764,285	-	91,706	-
<b>Total Primary Government</b>	<b>4,629,479</b>	<b>467,086</b>	<b>423,986</b>	<b>4,764,285</b>	<b>-</b>	<b>91,706</b>	<b>-</b>
<b>Component Units</b>							
Pennyrile Housing Corporation	140,253	26,658	48,091	111,712	-	-	(7,108)
Workforce Investment Board	5,064,215	388,373	504	5,452,084	-	-	-
Interest on Long-Term Debt	12,444	-	-	-	-	-	(12,444)
<b>Total Component Units</b>	<b>\$ 5,216,912</b>	<b>\$ 415,031</b>	<b>\$ 48,595</b>	<b>\$ 5,563,796</b>	<b>\$ -</b>	<b>-</b>	<b>(19,552)</b>
<b>General Revenues</b>							
Annual Assessments						65,816	-
Interest Earned						9,034	675
Other Revenues						10,131	-
Total General Revenues						84,981	675
Change in Net Position						176,687	(18,877)
Net Position - Beginning (Restated)						568,986	(24,459)
<b>Net Position - Ending</b>						<b>\$ 745,673</b>	<b>\$ (43,336)</b>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**BALANCE SHEET**  
**JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Pennyrile Development &amp; Governmental Center</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 552,722	\$ 727,708	\$ 18,124	\$ 1,298,554
Certificates of Deposit	807,544	-	22,652	830,196
Program Receivables	69,795	1,011,737	-	1,081,532
Receivables Due from Other Governments/Funds	313,068	-	-	313,068
Other Current Assets	6,038	10,184	8	16,230
<b>Total Assets</b>	<u>\$ 1,749,167</u>	<u>\$ 1,749,629</u>	<u>\$ 40,784</u>	<u>\$ 3,539,580</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 70,410	\$ 603,424	\$ 4,002	\$ 677,836
Grants Payable	-	13,366	-	13,366
Payables Due to Other Governments/Funds	-	-	100,685	100,685
Other Current Liabilities	11,737	112,337	-	124,074
Total Liabilities	<u>82,147</u>	<u>729,127</u>	<u>104,687</u>	<u>915,961</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	12,014	15,037	-	27,051
Total Deferred Inflows of Resources	<u>12,014</u>	<u>15,037</u>	<u>-</u>	<u>27,051</u>
<b>Fund Balances</b>				
<b>Restricted:</b>				
Revolving Loan Fund	-	190,000	-	190,000
Intermediary Relending Program	-	572,446	-	572,446
<b>Assigned:</b>				
Accrued Annual Leave	141,499	-	-	141,499
Unassigned:	1,513,507	243,019	(63,903)	1,692,623
Total Fund Balances	<u>1,655,006</u>	<u>1,005,465</u>	<u>(63,903)</u>	<u>2,596,568</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,749,167</u>	<u>\$ 1,749,629</u>	<u>\$ 40,784</u>	<u>\$ 3,539,580</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Total fund balances - governmental funds	\$ 2,596,568
Amount reported for governmental activities in the Statement of Net Position are different because:	
Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds.	1,401,822
Deferred Outflows and Inflows of resources related to pensions are not due or payable in the current period and therefore are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	322,022
Deferred Inflows of Resources Related to Pensions	(205,170)
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. More specifically, non-depreciable and depreciable capital assets are reported on the Statement of Net Position.	859,028
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,597,707)
Net Pension Liability	<u>(2,630,890)</u>
Net position of governmental activities	<u><u>\$ 745,673</u></u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Pennyrile Development &amp; Governmental Center</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Charges for Services	\$ 311,671	\$ 58,537	\$ -	\$ 370,208
Rent	-	-	53,779	53,779
Grants	-	4,764,277	-	4,764,277
Annual Assessments	65,816	-	-	65,816
Interest Income	5,221	3,604	209	9,034
Other Revenues	8,624	-	-	8,624
<b>Total Revenues</b>	<u>391,332</u>	<u>4,826,418</u>	<u>53,988</u>	<u>5,271,738</u>
<b>Expenditures</b>				
Current				
General Government	27,989	-	520	28,509
Community/Economic Development	251,857	727,034	-	978,891
Transportation Services	-	128,710	-	128,710
Aging Services	-	3,976,113	-	3,976,113
Revolving Loan Fund	-	5,928	-	5,928
Intermediary Relending Program	-	8,008	-	8,008
Debt Service				
Principal	-	75,417	13,302	88,719
Interest and Other Charges	-	9,310	12,583	21,893
<b>Total Expenditures</b>	<u>279,846</u>	<u>4,930,520</u>	<u>26,405</u>	<u>5,236,771</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>111,486</u>	<u>(104,102)</u>	<u>27,583</u>	<u>34,967</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	8,507	-	-	8,507
Purchases of Capital Assets	(26,746)	-	-	(26,746)
Payments on Note Receivables	-	257,863	-	257,863
Issuance of Loan	-	(510,490)	-	(510,490)
Transfer to Special Revenue Fund	(118,673)	118,673	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(136,912)</u>	<u>(133,954)</u>	<u>-</u>	<u>(270,866)</u>
Net Change in Fund Balances	(25,426)	(238,056)	27,583	(235,899)
Fund Balances - Beginning (restated)	1,680,432	1,243,521	(91,486)	2,832,467
Fund Balances - Ending	<u>\$ 1,655,006</u>	<u>\$ 1,005,465</u>	<u>\$ (63,903)</u>	<u>\$ 2,596,568</u>

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

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

Net Change in Fund Balances - Total Governmental Funds \$ (235,899)

Amounts reported for governmentnal activities in the Statement of  
 Activities are different because:

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

New Loans Issued	\$ 510,490	
Less: Payments Received	<u>257,863</u>	
	<u>\$ 252,627</u>	252,627

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

Gain on Sale	\$ 1,507	
Less: Proceeds from Sale	<u>8,507</u>	
	<u>\$ (7,000)</u>	(7,000)

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

Fixed Assets Purchased	\$ 26,746	
Less: Depreciation	<u>59,956</u>	
To Reconciliation	<u>\$ (33,210)</u>	(33,210)

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

New Debt Incurred	\$ -	
Retired Debt	<u>88,719</u>	
Net Debt Service	<u>\$ 88,719</u>	88,719

Pension expense reported in the Statement of Activities does not require use of current financial resources and, therefore, is not reported as expenditures in governmental funds. 111,450

Change in Net Position of Governmental Activities \$ 176,687

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**1. Summary of Significant Accounting Policies**

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

**a. The Reporting Entity**

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

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

Discretely presented component units:

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

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**a. The Reporting Entity, Continued**

Blended component unit:

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

**b. Basis of Presentation**

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

**c. Basis of Accounting and Measurement Focus**

**i. Government-Wide Financial Statements**

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**c. Basis of Accounting/ Measurement Focus, Continued**

**ii. Fund Financial Statements**

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

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

The District has the following major governmental funds:

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

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

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

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in the Statement of Net Position and Statement of Activities of the Government-Wide financial statements. The District has presented all major funds that meet those qualifications.

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

The district considers revenue received within sixty days of the year-end available.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**d. Use of Estimates**

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

**e. Inter-fund Activity**

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

**f. Cash and Investments**

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

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

**g. Capital Assets**

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

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**g. Capital Assets, Continued**

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

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

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

**h. Notes Receivable**

Notes receivable are stated at the outstanding principal amount net of allowance for uncollectible notes. Management determines the allowance for uncollectible notes based on review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements and are collateralized by promissory notes and security agreements. Management determines when a note receivable is considered delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. Management determined that no allowance for uncollectible notes receivable was necessary at June 30, 2015.

**i. Compensated Absences**

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

Accumulated unpaid annual leave amounts are accrued when incurred in the governmental funds if significant at year-end. At June 30, 2015, these liabilities included \$141,499 in annual leave pay.

**j. Long-Term Obligations**

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

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**k. Deferred Outflows/ Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has \$322,022 in deferred outflows of resources for fiscal year ended June 30, 2015 that relates to funds paid that relate to a future time period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$232,231 in deferred inflows of resources for fiscal year ended June 30, 2015 that relates to funds received that relate to a future time period.

**l. Government-Wide Net Position**

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

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

*Restricted Net Position* – consists of net assets that have a third-party (statutory or granting agency) limitation on their use. The District uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District has restricted net assets in the Revolving Loan Fund and Intermediary Relending Program in the amounts of \$190,000 and \$572,446 respectively.

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

**m. Governmental Fund Equity**

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

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

*Restricted* – amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors. For fiscal year ended June 30, 2015, \$190,000 has been grantor restricted for the Revolving Loan Fund and \$572,446 has been grantor restricted for the Intermediary Relending Program.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**m. Governmental Fund Equity, Continued**

*Committed* – amounts that can only be spent for specific purposes determined by the District’s Board of Directors through formal action. The District’s Board is the highest level of decision making authority. Commitments may be established, modified or rescinded only through direct Board approval.

*Assigned* – amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The amounts may be assigned by the Board or management. For the fiscal year ended June 30, 2015, \$141,499 has been assigned for future use related to compensated absences and \$1,456,208 has been assigned for future long-term debt.

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

**n. Prioritization and Use of Available Resources**

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

**o. Non-exchange Transactions**

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

**p. Cost Allocation Plan**

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

**q. Fair Value of Financial Instruments**

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and the principal or most advantageous market for that asset or liability.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**q. Fair Value of Financial Instruments, Continued**

The fair value should be calculated based on assumptions that market participants would use on pricing the asset or liability, not on assumptions specific to the entity.

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

**r. Date of Management Review**

In preparing these financial statements, the District has evaluated the events and transactions for potential recognition or disclosure through January 11, 2016 the date the financial statements were available to be issued.

**s. Pensions**

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 fiduciary net position of the County Employees Retirement System in the Kentucky Retirement Systems (KRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the County Employees Retirement System. Investments are reported as fair value.

**t. Budgetary Information**

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

**u. Deposits and Investments**

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

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**3. Deposits and Investments, Continued**

As of June 30, 2015 deposits are collateralized as follows:

	<u>Bank</u> <u>Balance</u>	<u>Depository</u> <u>Insurance</u>	<u>Pledged</u> <u>Securities</u>
Governmental Activities	\$ 2,149,476	\$ 376,006	\$ 1,750,818
Blended Component Unit - PDGC	22,652	22,652	22,652
Component Unit - PHC	276,418	276,418	-
Component Unit - WKWIB	58,849	58,849	-
Total	<u>\$ 2,507,395</u>	<u>\$ 733,925</u>	<u>\$ 1,773,470</u>

**4. Capital Assets**

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-Wide Statement of Net Position. Capital asset activity of the governmental activities for the year ended June 30, 2015, consisted of the following:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Governmental Activities</b>				
Land	\$ 9,988	\$ -	\$ -	\$ 9,988
Buildings and Improvements	1,345,393	-	-	1,345,393
Office Furniture and Equipment	224,408	-	-	224,408
Computers and Equipment	194,037	1,807	-	195,844
Vehicles	103,253	24,939	25,018	103,174
Total	<u>1,877,079</u>	<u>26,746</u>	<u>25,018</u>	<u>1,878,807</u>
Less Accumulated Depreciation	<u>(965,526)</u>	<u>(72,271)</u>	<u>(18,018)</u>	<u>(1,019,779)</u>
<b>Total Governmental Activities</b>	<u>\$ 911,553</u>	<u>\$ (45,525)</u>	<u>\$ 7,000</u>	<u>\$ 859,028</u>

A summary of the component units fixed asset transactions for the year ended June 30, 2015, follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Component Unit Activities</b>				
Buildings and Improvements	\$ 647,518	\$ -	\$ -	\$ 647,518
Office Furniture and Equipment	25,506	-	-	25,506
Computers and Equipment	233,889	-	-	233,889
Construction in Progress	13,748	-	10,562	3,186
Total	<u>920,661</u>	<u>-</u>	<u>10,562</u>	<u>910,099</u>
Less Accumulated Depreciation	<u>(459,537)</u>	<u>(23,546)</u>	<u>-</u>	<u>(483,083)</u>
<b>Total Component Unit Activities</b>	<u>\$ 461,124</u>	<u>\$ (23,546)</u>	<u>\$ 10,562</u>	<u>\$ 427,016</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**4. Capital Assets, Continued**

For the year ended June 30, 2015, depreciation on capital assets was charged to the government functions as follows:

General	\$ 2,081
Community/Economic Development	5,876
Transportation Services	1,382
Aging Services	9,840
Revolving Loan Fund	50
Intermediary Relending Program	60
Pennyrile Development and Gov't Center	40,675
Workforce Investment Board	11,294
Pennyrile Housing Corporation	24,558
Total Depreciation Expense	<u>\$ 95,817</u>

**5. Non-Current Liabilities**

The District's non-current liabilities include compensated absences and notes and leases payable. The following is a summary of non-current liability transactions for the year ended June 30, 2015:

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/2015</u>	<u>Due 1 Year</u>
<u>Governmental</u>					
Compensated Absences	\$ 129,260	\$ 114,230	\$ 101,991	\$ 141,499	\$ -
USDA	951,774	-	75,417	876,357	76,213
KACO	593,153	-	13,302	579,851	13,836
Total Governmental	<u>1,674,187</u>	<u>114,230</u>	<u>190,710</u>	<u>1,597,707</u>	<u>90,049</u>
<u>Component Units</u>					
KHC	5,367	-	1,076	4,291	1,076
KHC	7,578	-	1,263	6,315	1,263
KHC	13,269	-	1,896	11,373	1,896
KHC	28,128	-	3,516	24,612	3,516
KHC	28,856	-	3,206	25,650	3,206
KHC	32,674	-	3,267	29,407	3,267
KHC	29,074	-	2,423	26,651	2,423
KHC	24,597	-	2,050	22,547	2,050
KHC	7,330	-	564	6,766	564
KHC	6,596	-	471	6,125	471
KHC	16,799	-	1,001	15,798	1,010
KHC	29,977	-	1,680	28,297	1,695
KHC	4,378	-	1,095	3,283	1,095
KHC	516,625	-	18,427	498,198	18,777
Total Component Units	<u>751,248</u>	<u>-</u>	<u>41,935</u>	<u>709,313</u>	<u>42,309</u>
Total	<u>\$ 2,425,435</u>	<u>\$ 114,230</u>	<u>\$ 232,645</u>	<u>\$ 2,307,020</u>	<u>\$ 132,358</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**5. Non-Current Liabilities, Continued**

Non-current liabilities at June 30, 2015, are comprised of the following:

Governmental Activities			
<u>Notes and Leases Payable</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance 6/30/2015</u>
USDA	1.00%	2027	\$ 876,357
Kentucky Association of Counties	3.86%	2037	<u>579,851</u>
Total Governmental Activities			<u>1,456,208</u>
Component Units			
<u>Notes and Leases Payable</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance 6/30/2015</u>
Kentucky Housing Corporation	1.00%	2017	3,283
Kentucky Housing Corporation	1.00%	2018	4,291
Kentucky Housing Corporation	1.00%	2019	6,315
Kentucky Housing Corporation	1.00%	2019	15,798
Kentucky Housing Corporation	1.00%	2020	11,373
Kentucky Housing Corporation	1.00%	2021	24,612
Kentucky Housing Corporation	1.00%	2022	25,650
Kentucky Housing Corporation	1.00%	2023	29,407
Kentucky Housing Corporation	1.00%	2024	26,651
Kentucky Housing Corporation	1.00%	2025	22,547
Kentucky Housing Corporation	1.00%	2026	6,766
Kentucky Housing Corporation	1.00%	2027	6,125
Kentucky Housing Corporation	1.00%	2031	28,297
Kentucky Housing Corporation	2.00%	2036	<u>498,198</u>
Total Component Units			<u>709,313</u>
Total Long-Term Debt			<u>\$ 2,165,521</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**5. Non-Current Liabilities, Continued**

The annual requirements to retire debt are as follows:

Governmental Activities - Notes Payable			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 76,213	\$ 8,687	\$ 84,900
2017	76,975	7,925	84,900
2018	77,744	7,156	84,900
2019	78,522	6,378	84,900
2020	79,307	5,593	84,900
2021-2025	409,916	15,494	425,410
2026-2029	77,680	720	78,400
Totals	\$ 876,357	\$ 51,953	\$ 928,310

Governmental Activities - Leases Payable			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 13,836	\$ 24,741	\$ 38,577
2017	14,467	24,110	38,577
2018	15,090	23,487	38,577
2019	15,744	22,833	38,577
2020	22,189	16,388	38,577
2021-2025	93,305	99,578	192,883
2026-2030	115,218	77,665	192,883
2031-2035	142,283	50,600	192,883
2036-2039	147,719	9,797	157,516
Totals	\$ 579,851	\$ 349,199	\$ 929,050

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**5. Non-Current Liabilities, Continued**

Component Activities - Notes Payables			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 42,309	\$ 12,057	\$ 54,366
2017	42,748	11,414	54,162
2018	43,167	10,799	53,966
2019	42,489	10,145	52,634
2020	41,840	9,548	51,388
2021-2025	182,034	38,353	220,387
2026-2030	141,722	24,256	165,978
2031-2035	133,726	10,950	144,676
2036-2039	39,278	581	39,859
Totals	\$ 709,313	\$ 128,103	\$ 837,416

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

The lease payable is considered to be a capital lease. The lease was to fund the construction of a building addition to the District's facilities. The cost of the addition was \$803,027 with current accumulated depreciation of \$157,860 and the present value of the minimum lease payments is \$579,891 at June 30, 2015.

Amortization of the building has been included in depreciation expense.

**6. Pensions Plan**

*Plan description.* Employees with membership in the Kentucky Retirement Systems (KRS) are provided with pensions through the County Employee Retirement System (CERS), a cost sharing multiple-employer pension plan administered by the KRS. The KRS was created by state statute under Kentucky Revised Statute Chapter 61. The KRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the KRS. The Kentucky Department of Revenue, an agency in the legislative branch of state government, administers the plans of the KRS. The KRS issues a publically available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Benefits provided.* Kentucky Revised Statute Chapter 61 established the benefit terms and can be amended only by the Kentucky General Assembly.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**6. Pensions Plan, Continued**

Members of the CERS (nonhazardous), participating prior to September 1, 2008 (Tier 1), are eligible to retire with an unreduced benefit at age 65 or any age with over 27 years of service credit. Benefits are determined by a formula using the member's five highest annual compensations and the member's years of service. A reduced early retirement benefit is available at age 65 with at least 25 years, but less than 27 years of service credit, or at age 55 with 5 years of service credit.

Members of the CERS (nonhazardous), participating after September 1, 2008 but before January 1, 2014 (Tier 2), are eligible to retire with an unreduced benefit at age 57 if age plus service credits equal 87 years at retirement or after age 65 with 5 years of service credit. Benefits are determined by a formula using the member's last five consecutive years compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 with at least 10 years of service credit.

Members of the CERS (nonhazardous), participating after January 1, 2014 (Tier 3), are eligible to retire with an unreduced benefit at age 57 and if age plus service credits equals 87 years at retirement or after age 65 with 5 years of service credit.

Service related disability benefits are provided for all three tiers regardless of length of service. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustment (COLAs) after retirement. The COLA has increased annually by 1.5% since July 1, 2003. A member who leaves employment may withdraw their employee contribution, plus any accumulated interest.

*Contributions.* Contributions for members are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. CERS covered employees are required to contribute 5% of gross pay and all employees that began participating after September 1, 2008 are required to contribute an additional 1% for health coverage. The agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the CERS are required to be paid. Employer contributions by the Pennyriple Area Development District for the year ended June 30, 2015 to the CERS were \$322,022 which is 17.67% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**6. Pensions Plan, Continued**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liability.* At June 30, 2015, the District reported a liability of \$2,630,890 for its proportionate share of 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 asset was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all members for the year ended June 30, 2014. At the June 30, 2014 measurement date, District’s proportion was 0.081091%. No update procedures were used to determine the total pension liability. An expected total pension liability is determined as of July 1, 2013, using standard roll back techniques. The roll back calculation subtracts the annual normal cost (also called the service cost), adds the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the total pension liability as of July 1, 2013, are shown for CERS submitted on November 17, 2014.

*Pension expense.* For the year ended June 30, 2015, District recognized a pension expense of \$210,570.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, 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	\$ -	\$ -	
Change of assumptions	-	-	
Net difference between projected and actual earnings on plan investments	-	205,170	
Employer contributions subsequent to the Measurement Date	322,022	-	
	\$ 322,022	\$ 205,170	

The amount shown above for “Employer contributions subsequent to the measurement date” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**6. Pensions Plan, Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$(51,292)
2017	(51,292)
2018	(51,293)
2019	(51,293)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumption, 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 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 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. 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.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2015**

**6. Pensions Plan, Continued**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	1.25%
Real Estate	5%	7.00%
Core U.S. Fixed Income	10%	5.25%
High Yield U.S. Fixed Income	5%	7.25%
Non-U.S. 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%. The discount rate does not use a municipal bond rate.

*Projected cash flows.* The projection of the 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. Projected future benefit payments for all current plan members were projected through 2116.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability of the Bureau, calculated using the discount rate of percent, as well as what the system's 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 for non-hazardous:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Pennyrile Area Development District's net pension liability	\$ 3,462,085	\$ 2,630,890	\$ 1,896,524

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued CERS financial report.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**7. Risk Management**

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

**8. Contingencies**

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

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

**9. Cost Allocation Plan**

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**9. Cost Allocation Plan, Continued**

**A. Salaries and Wages**

- a. Direct Costs – The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization. The charges are supported by auditable labor distribution reports which reflect the actual activities of the employees.
- b. Indirect Costs – The following staff members charge 100% of their salary costs indirectly.
  - i. Executive Director
  - ii. Executive Assistant
  - iii. Office Manager
- c. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities:
  - i. Administrative Officer
  - ii. Receptionist
  - iii. Computer Manager

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

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

**B. Fringe Benefits**

The District contributes the following fringe benefits for its employees:

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

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**9. Cost Allocation Plan, Continued**

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

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

**C. Travel**

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

**D. Consultant Costs**

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

**E. Printing and Duplicating**

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

**F. Postage**

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

**G. Audit Fees**

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

**H. Building Rental**

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

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**9. Cost Allocation Plan, Continued**

I. Equipment Rental/ Purchases

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

For fiscal year ended June 30, 2015, the shared cost categories that were allocated to all of the programs are as follows:

Salaries	\$ 306,630
Employee Benefits	156,861
Annual Leave	22,053
Travel	60,957
Duplication	5,331
Postage	5,666
Depreciation	13,329
Other Indirect Costs	<u>311,292</u>
Total Shared Costs	<u>\$ 882,119</u>

**10. New GASB Standards**

Effective for the fiscal year ending June 30, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB), Statement No. 68, Accounting and Financial Reporting for Pensions. The objective of this statement is to improve financial reporting by state and local governmental pension plans. In addition, it requires the liability of the employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payment to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, this statement requires additional changes to Required Supplementary Information, among other extensive changes.

Effective for the fiscal year ending June 30, 2015, the District adopted the provision of Governmental Accounting Standards Board (GASB), Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date. The objective of this statement is to address an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2015**

**11. Prior Period Adjustment**

Pursuant to GASB 68, proportionate Net Pension Liability is required to be recorded in the financial statements of each contributing member of the Kentucky Retirement System pension plans. For the year ended June 30, 2014 the amount that was required to be recorded was \$2,625,488. This amount is a decrease in Beginning Fund Balance. Previously issued financial statements have not been restated, as this adjustment is not required to be made retrospectively.

The net position adjustment of \$29,513 was to return the remaining funds used to manage the Christian County Mini Loan Fund. The Christian County Fiscal Court provided the original capital funds to manage the loan fund. As the loan fund ceased to exist as of September 2014, the remaining funds were returned to the Christian County Fiscal Court.

Review of prior year ending balances revealed that the governmental fund balance was misstated. The fund balance of the governmental funds was decreased by \$14,946 to correct the beginning balance.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
COUNTY EMPLOYEE RETIREMENT SYSTEM (UNAUDITED)  
LAST TEN FISCAL YEARS**

Pennyrile Area Development District's proportion of the net pension liability	0.081091%
Pennyrile Area Development District's proportionate share of the net pension liability	\$ 2,630,890
Pennyrile Area Development District's covered-employee payroll	\$ 1,860,354
Pennyrile Area Development District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.42%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

\*The amounts presented were determined as of June 30 of the prior fiscal year

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented when available.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
SCHEDULE OF CONTRIBUTIONS –  
COUNTY EMPLOYEE RETIREMENT SYSTEM (UNAUDITED)  
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 351,421	\$ 322,022
Contribution in relation to the actuarially determined contribution	351,421	322,022
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Pennyrile Area Development District's covered-employee payroll	 \$ 1,860,354	 \$ 1,822,422
 Contributions as a percentage of Pennyrile Area Development District's covered-employee payroll	 18.89%	 17.67%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented when available.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

Notes Related to Schedule of the Proportionate Share of the Net Pension Liability- County Employee Retirement System

*Changes of benefit terms:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

*Changes of assumption:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

Notes Related to the Schedule of the Contributions- County Employee Retirement System

*Method and assumptions used in calculations of actuarially determined contributions:* The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, 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 contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation	5-year smoothed market
Inflation	3.5%
Salary increases	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
<b><u>U. S. Department of Agriculture</u></b>			
Passed-Through Rural Development			
Intermediary Relending Program (Note 2)	10.767	DO-94-213	\$ 1,171,941
Rural Business Enterprise Grants	10.769	MOA	20,166
<b>Total U.S. Department of Agriculture</b>			<u>1,192,107</u>
<b><u>U.S. Department of Commerce</u></b>			
Passed-Through Department for Local Government			
Joint Funding Administration	11.302	MOA	88,630
Passed-Through Economic Development Administration			
Economic Development Tehnical Assistance	11.306	04-06-06569	10,636
Economic Adjustment Assistance	11.307	04-79-06751	279,860
Economic Adjustment Assistance (RLF) (Note 2)	11.307	04-79-06079	500,747
<b>Total U.S. Department of Commerce</b>			<u>879,873</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-Through Kentucky Cabinet for Health and Family Services			
Aging Cluster			
Title III Part B - Support Services	93.044	PON2 725 1400001066 3	262,563
Title III Part C - Nutrition Services	93.045	PON2 725 1400001066 3	515,438
Nutrition Services Incentive	93.053	PON2 725 1400001074 1	148,777
Total Aging Cluster			<u>926,778</u>
Title III Part D - Disease Prevention	93.043	PON2 725 1400001066 3	15,815
Title III Part E - Caregiver Support	93.052	PON2 725 1400001066 3	106,699
Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations	93.779	PON2 725 1400001161 1	30,158
Medical Assistance Program	93.778	PON2 725 1400001160 5	17,446
Title VII - Ombudsman	93.042	PON2 725 1400001073 2	6,533
Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON2 725 1400001073 2	3,855
Assistance Programs for Chronic Disease Prevention & Control	93.945	PON2 725 1400001164 2	48,523
Public Health Emergency Preparedness	93.069	PON2 725 1400001163 1	2,000
Chronic Disease Self-Management Education	93.725	PON2 725 1400001162 1	8,552
Medicare Enrollment Assistance Program	93.071	PON2 725 1400001168 2	27,986
<b>Total U.S. Department of Health and Human Services</b>			<u>1,194,345</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed-Through Kentucky Office of Homeland Security			
Citizens Corp Personnel	97.067	PO2 094 1500001284 1	36,459
Flood Mitigation Assistance	97.029	PO2 095 1400003744 1	2,314
Pre-Disaster Mitigation	97.047	PO2 095 1400002606 1	6,943
<b>Total U.S. Department of Homeland Security</b>			<u>45,716</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

**U.S. Department of Housing and Urban Development**

Passed-Through Kentucky Housing Corporation			
Home Investment Partnerships Program	14.239	MOA*	2,375
Passed-Through Kentucky Department for Local Government			
Neighborhood Stabilization Program	14.228	14N-019	<u>14,087</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>16,462</u>

**U.S. Department of Labor**

Passed-Through Kentucky Cabinet for Health and Family Services			
Senior Community Service Employment Title V Aging	17.235	PON2 725 1400001202 1	145,976
WIA Cluster (Note 3)			
Workforce Investment Act National Emergency Grants	17.277	EM-26706-15-60-A-21	851,463
Passed-Through Kentucky Education and Workforce Development Cabinet,			
Department of Workforce Investment, Office of Employment and Training			
Workforce Investment Act Adult	17.258	27013	952
Workforce Investment Act Adult	17.258	27014	2,991
Workforce Investment Act Adult	17.258	27314	524,918
Workforce Investment Act Adult	17.258	27015	79,125
Workforce Investment Act Adult	17.258	27315	700,834
Workforce Investment Act Youth Activities	17.259	27414	369,033
Workforce Investment Act Youth Activities	17.259	27415	611,743
Workforce Investment Act National Emergency Grants	17.277	258DW13	50,408
Workforce Investment Act National Emergency Grants	17.277	258GO15	59,434
Workforce Investment Act Dislocated Worker	17.278	27213	6,655
Workforce Investment Act Dislocated Worker	17.278	27113	123,887
Workforce Investment Act Dislocated Worker	17.278	27214	1,660
Workforce Investment Act Dislocated Worker	17.278	27114	316,646
Workforce Investment Act Dislocated Worker	17.278	27215	143,392
Workforce Investment Act Dislocated Worker	17.278	271DW15	<u>534,302</u>
Total WIA Cluster			4,377,443
Passed-Through Kentucky Education and Workforce Development Cabinet,			
Department of Workforce Investment, Office of Employment and			
Training (Note 3)			
Trade Adjustment Assistance	17.245	20512	182,337
Trade Adjustment Assistance	17.245	20513	<u>892,304</u>
<b>Total U.S. Department of Labor</b>			<u>5,598,060</u>

**U.S. Department of Transportation**

Passed-Through Kentucky Transportation Cabinet			
Highway Planning and Construction	20.205	PO2-625 1500002444	<u>7,867</u>
<b>Total U.S. Department of Transportation</b>			<u>7,867</u>

**Delta Regional Authority**

Passed-Through Department for Local Government			
Delta Regional Authority Act - Technical Assistance	90.200	SF424	<u>16,449</u>
<b>Total Delta Regional Authority</b>			<u>16,449</u>

<b>Total Federal Award Expenditures</b>			<u>\$ 8,950,879</u>
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**PENNYRILE AREA DEVELOPMENT DISTRICT  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2015**

**1. Basis of Presentation**

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

**2. Federal Expenditure Reconciliation**

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

Federal Revenues	\$ 7,278,191
Intermediary Relending Programs	1,171,941
RLF Project Funds	<u>500,747</u>
 Federal Expenditures	 <u><u>\$ 8,950,879</u></u>

**3. WKWIB Reconciliation**

The following reconciles the Department of Workforce Investments Drawdown Records to the Workforce Investment Act and Trade Adjustment Assistance Revenue and Expenditures reported on the Schedule:

Kentucky Education and Workforce Development Cabinet	\$ 4,598,128
Increases (Decreases)	
Direct Funding from Workforce Investment Act	
National Emergency Grant	851,462
Deferred Revenue 6/30/15	<u>2,493</u>
 Workforce Investment Board Expenditures	 <u><u>\$ 5,452,083</u></u>

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
JUNE 30, 2015**

**4. Subrecipients**

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

<u>Subrecipient</u>	<u>Program Title</u>	<u>Amount Provided</u>
Pennyrile Allied Community Services, Inc.	Title III	\$ 689,620
	SHIP	28,733
	Title V - Senior Community Service Employment Program	133,608
	USDA	148,777
	Chronic Disease Self-Management Educatio	5,000
	Medicare Enrollment Assistance Program	<u>8,325</u>
	Subrecipient Total	<u>\$ 1,014,063</u>
Kentucky Legal Aid	Title III	<u>\$ 16,875</u>
	Subrecipient Total	<u>\$ 16,875</u>
Purchase Area Development District	WIA Funds	<u>\$ 814,973</u>
	Subrecipient Total	<u>\$ 814,973</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF NET POSITION**  
**BETWEEN THE RIVERS DUPLEX**  
**JUNE 30, 2015**

**Assets**

Accounts Receivable	\$ 1,400
Non-Current Assets	
Depreciable Capital Assets, Net	423,831
<b>Total Assets</b>	<b>425,231</b>

**Liabilities**

Accounts Payable	936
Other Current Liabilities	27,918
LT Debt - Due Within One Year	18,778
Non-Current Liabilities	
LT Debt - Due in More Than One Year	479,419
<b>Total Liabilities</b>	<b>527,051</b>

**Net Positions**

Net Invested in Capital Assets	(74,366)
Unrestricted	(27,454)
<b>Total Net Position</b>	<b>\$ (101,820)</b>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BETWEEN THE RIVERS DUPLEX**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Operating Revenues**

Rent	\$	41,855
Other Revenues		2,175

<b>Total Operating Revenues</b>		<b>44,030</b>
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**Operating Expenses**

Salaries		549
Annual Leave		52
Employee Benefits		334
Travel		233
Depreciation		23,546
Other Direct Costs		26,697
Indirect Costs Applied		417

<b>Total Operating Expenses</b>		<b>51,828</b>
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<b>Operating Income (Loss)</b>		<b>(7,798)</b>
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**Non-Operating Revenues (Expenses)**

Interest Expense		(10,306)
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<b>Total Non-Operating Revenues (Expenses)</b>		<b>(10,306)</b>
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<b>Change in Net Position</b>		<b>(18,104)</b>
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<b>Net Position - Beginning</b>		<b>(83,716)</b>
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<b>Net Position - Ending</b>		<b>\$ (101,820)</b>
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**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted Local Operations	Aging						Title III Ombudsman	Title III Congregate Meals
		Title III B Administration	Title III C1 Administration	Title III C2 Administration	Title III E Administration	Title III Supportive Services			
<b>Revenues</b>									
Federal	\$ -	\$ 24,557	\$ 29,994	\$ 15,970	\$ 9,870	\$ 221,206	\$ 16,800	\$ 316,434	
State	-	8,186	15,016	9,902	3,290	73,932	2,965	58,184	
Local									
Annual Assessments	65,816	-	-	-	-	-	-	-	
Interest Income	5,218	-	-	-	-	-	-	-	
Local Match	(10,507)	-	-	-	-	-	-	-	
Local Applied to Grants	(20,705)	442	-	152	214	-	123	-	
Other Revenues	10,131	-	-	-	-	-	-	-	
Program Income	-	-	-	-	-	24,149	-	23,918	
In-kind Revenue	-	-	-	-	-	7,825	-	-	
<b>Total Revenues</b>	<b>49,953</b>	<b>33,185</b>	<b>45,010</b>	<b>26,024</b>	<b>13,374</b>	<b>327,112</b>	<b>19,888</b>	<b>398,536</b>	
<b>Expenditures</b>									
Direct Expenditures									
Salaries	-	12,484	18,000	10,680	5,116	7,244	8,640	-	
Employee Benefits	(111,450)	6,669	10,143	5,452	2,846	3,580	3,931	-	
Annual Leave	-	807	1,212	717	370	473	426	-	
Travel	2,353	1,589	1,999	1,241	621	1,213	964	-	
Contracted Services	-	-	-	-	-	274,282	-	374,618	
Duplicating	-	725	306	306	305	-	333	-	
Postage	-	610	250	250	250	-	287	-	
Depreciation	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	
Other Direct Costs	26,565	2,387	1,096	909	754	3,749	192	-	
In-Kind Expenditures	-	-	-	-	-	31,974	-	23,918	
<b>Total Direct Expenditures</b>	<b>(82,532)</b>	<b>25,271</b>	<b>33,006</b>	<b>19,555</b>	<b>10,262</b>	<b>322,515</b>	<b>14,773</b>	<b>398,536</b>	
Shared Costs Applied	-	7,914	12,004	6,469	3,112	4,597	5,115	-	
<b>Total Expenditures</b>	<b>(82,532)</b>	<b>33,185</b>	<b>45,010</b>	<b>26,024</b>	<b>13,374</b>	<b>327,112</b>	<b>19,888</b>	<b>398,536</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 132,485</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Aging							
	Title III Home Delivered Meals	Title III Disease Prevention	Federal Caregiver Services	Elder Abuse	Title VII Ombudsman	USDA	Health Benefits Exchange	Personal Care Attendant
<b>Revenues</b>								
Federal	\$ 153,040	\$ 15,815	\$ 96,829	\$ 3,855	\$ 6,533	\$ 148,777	\$ 41,773	\$ -
State	50,218	3,632	32,276	-	-	-	-	26,211
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	680	1,153	-	-	-
Local Applied to Grants	-	-	480	61	22	-	-	391
Other Revenues	-	-	-	-	-	-	-	-
Program Income	111,622	-	-	-	-	-	-	-
In-kind Revenue	-	6,095	-	-	-	-	-	9,660
<b>Total Revenues</b>	<b>314,880</b>	<b>25,542</b>	<b>129,585</b>	<b>4,596</b>	<b>7,708</b>	<b>148,777</b>	<b>41,773</b>	<b>36,262</b>
<b>Expenditures</b>								
Direct Expenditures								
Salaries	-	-	27,592	1,997	3,341	-	17,667	4,953
Employee Benefits	-	-	12,668	909	1,520	-	9,099	2,686
Annual Leave	-	-	1,434	98	164	-	867	346
Travel	-	-	2,507	223	373	-	932	736
Contracted Services	203,258	19,447	67,024	-	-	148,777	-	14,911
Duplicating	-	-	912	77	147	-	391	-
Postage	-	-	756	66	111	-	137	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	-	435	44	74	-	1,886	-
In-Kind Expenditures	111,622	6,095	-	-	-	-	-	9,660
<b>Total Direct Expenditures</b>	<b>314,880</b>	<b>25,542</b>	<b>113,328</b>	<b>3,414</b>	<b>5,730</b>	<b>148,777</b>	<b>30,979</b>	<b>33,292</b>
Shared Costs Applied	-	-	16,257	1,182	1,978	-	10,794	2,970
<b>Total Expenditures</b>	<b>314,880</b>	<b>25,542</b>	<b>129,585</b>	<b>4,596</b>	<b>7,708</b>	<b>148,777</b>	<b>41,773</b>	<b>36,262</b>
<b>Excess of Revenues Over (Under)</b>								
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Aging							
	CDSME	Title V Senior Employment	Kentucky Caregiver Services	Disability Resource Center	Arthritis Grant	Adult Daycare	Consumer Directed Options	FAST
<b>Revenues</b>								
Federal	\$ 8,552	\$ 145,976	\$ -	\$ 17,446	\$ 6,750	\$ -	\$ -	\$ 2,000
State	-	-	80,000	34,824	-	84,134	905,672	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	218	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	-	-	892	-	114	575	-	277
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	19,222	-	-	-	-	-	-
<b>Total Revenues</b>	<u>8,552</u>	<u>165,198</u>	<u>80,892</u>	<u>52,270</u>	<u>6,864</u>	<u>84,709</u>	<u>905,890</u>	<u>2,277</u>
<b>Expenditures</b>								
Direct Expenditures								
Salaries	1,627	5,325	23,304	25,247	1,863	3,904	117,439	844
Employee Benefits	761	2,837	5,617	10,418	905	2,250	56,459	321
Annual Leave	106	386	197	1,151	120	254	6,443	30
Travel	14	270	930	-	-	174	13,712	683
Contracted Services	5,000	133,608	36,832	-	2,500	65,966	628,919	-
Duplicating	-	-	169	-	-	-	1,260	-
Postage	-	-	592	-	-	-	1,640	1
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	36	1,214	627	248	9,602	33,497	-
In-Kind Expenditures	-	19,222	-	-	-	-	-	-
<b>Total Direct Expenditures</b>	<u>7,508</u>	<u>161,684</u>	<u>68,855</u>	<u>37,443</u>	<u>5,636</u>	<u>82,150</u>	<u>859,369</u>	<u>1,879</u>
Shared Costs Applied	<u>1,044</u>	<u>3,514</u>	<u>12,037</u>	<u>14,827</u>	<u>1,228</u>	<u>2,559</u>	<u>72,388</u>	<u>398</u>
<b>Total Expenditures</b>	<u>8,552</u>	<u>165,198</u>	<u>80,892</u>	<u>52,270</u>	<u>6,864</u>	<u>84,709</u>	<u>931,757</u>	<u>2,277</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,867)</u>	<u>\$ -</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Aging							Joint Funding Administration
	State Long- Term Care Ombudsman	Homecare Services	SHIP	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	Mental Health & Aging Coalition	
<b>Revenues</b>								
Federal	\$ -	\$ -	\$ 30,158	\$ 8,325	\$ 12,911	\$ 6,750	\$ -	\$ 88,630
State	55,973	906,861	-	-	-	-	-	130,317
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	115	23	170	-	519	-	-	8,171
Other Revenues	-	-	-	-	-	-	1,490	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	52,249	5,638	-	-	-	-	-
<b>Total Revenues</b>	<b>56,088</b>	<b>959,133</b>	<b>35,966</b>	<b>8,325</b>	<b>13,430</b>	<b>6,750</b>	<b>1,490</b>	<b>227,118</b>
<b>Expenditures</b>								
Direct Expenditures								
Salaries	24,416	66,437	657	-	5,996	3,042	-	98,185
Employee Benefits	11,110	35,078	352	-	2,683	1,379	-	46,991
Annual Leave	1,203	4,050	51	-	304	157	-	6,592
Travel	2,725	8,945	3	-	431	244	-	10,433
Contracted Services	-	735,570	28,733	8,325	-	-	-	-
Duplicating	924	1,094	-	-	89	31	-	1,665
Postage	811	907	-	-	1	1	-	851
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	441	11,950	-	-	410	87	1,490	1,175
In-Kind Expenditures	-	52,249	5,638	-	-	-	-	-
<b>Total Direct Expenditures</b>	<b>41,630</b>	<b>916,280</b>	<b>35,434</b>	<b>8,325</b>	<b>9,914</b>	<b>4,941</b>	<b>1,490</b>	<b>165,892</b>
Shared Costs Applied	14,458	42,853	532	-	3,516	1,809	-	61,226
<b>Total Expenditures</b>	<b>56,088</b>	<b>959,133</b>	<b>35,966</b>	<b>8,325</b>	<b>13,430</b>	<b>6,750</b>	<b>1,490</b>	<b>227,118</b>
<b>Excess of Revenues Over (Under)</b>								
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Delta Regional Authority	Citizens Corp	Local Economic Development	EDA Planning	Local Road Updates	Regional Transportation	MSU Intern	Water Management/ Resources
<b>Revenues</b>								
Federal	\$ 16,449	\$ 36,459	\$ -	\$ 10,636	\$ 7,867	\$ -	\$ -	\$ -
State	-	-	-	-	1,967	78,065	-	95,119
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	8,674	-	-
Local Applied to Grants	-	743	283	189	-	636	-	2,653
Other Revenues	-	-	306,056	-	-	-	850	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>16,449</b>	<b>37,202</b>	<b>306,339</b>	<b>10,825</b>	<b>9,834</b>	<b>87,375</b>	<b>850</b>	<b>97,772</b>
<b>Expenditures</b>								
Direct Expenditures								
Salaries	6,639	8,510	129,432	1,934	4,935	43,611	568	41,806
Employee Benefits	3,515	2,158	55,355	958	1,656	14,300	64	21,013
Annual Leave	464	140	8,103	130	280	3,584	-	2,873
Travel	928	84	7,034	518	172	2,452	-	3,294
Contracted Services	-	-	-	-	-	-	-	-
Duplicating	520	221	471	-	-	276	-	196
Postage	176	16	242	1	-	70	-	243
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	50	21,713	1,535	6,087	-	94	-	1,651
In-Kind Expenditures	-	-	-	-	-	-	-	-
<b>Total Direct Expenditures</b>	<b>12,292</b>	<b>32,842</b>	<b>202,172</b>	<b>9,628</b>	<b>7,043</b>	<b>64,387</b>	<b>632</b>	<b>71,076</b>
Shared Costs Applied	4,157	4,360	76,382	1,197	2,791	22,988	218	26,696
<b>Total Expenditures</b>	<b>16,449</b>	<b>37,202</b>	<b>278,554</b>	<b>10,825</b>	<b>9,834</b>	<b>87,375</b>	<b>850</b>	<b>97,772</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,785</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	KY Dept of Agriculture Mapping Proj	Rural Business Enterprise Grant	Revolving Loan Fund	Intermediary Relending Program	Hazard Mitigation	Between the Rivers Duplex	Neighborhood Stabilization Program	Home GAP Financing
<b>Revenues</b>								
Federal	\$ 279,860	\$ 20,166	\$ -	\$ -	\$ 9,258	\$ -	\$ 14,087	\$ 2,375
State	36,028	-	-	-	-	-	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	26,228	35,094	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	-	3,457	-	-	-
Other Revenues	-	-	-	601	-	44,030	-	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>315,888</b>	<b>20,166</b>	<b>26,228</b>	<b>35,695</b>	<b>12,715</b>	<b>44,030</b>	<b>14,087</b>	<b>2,375</b>
<b>Expenditures</b>								
Direct Expenditures								
Salaries	17,551	8,836	2,488	3,473	6,017	549	1,670	-
Employee Benefits	6,646	3,852	1,310	1,862	2,598	334	881	-
Annual Leave	1,160	475	181	252	351	52	136	-
Travel	937	1,205	93	93	292	233	115	-
Contracted Services	279,546	-	-	-	-	-	10,251	2,375
Duplicating	7	36	-	-	-	-	-	-
Postage	30	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	23,546	-	-
Interest	-	-	-	9,310	-	10,306	-	-
Other Direct Costs	-	626	348	224	-	26,697	-	-
In-Kind Expenditures	-	-	-	-	-	-	-	-
<b>Total Direct Expenditures</b>	<b>305,877</b>	<b>15,030</b>	<b>4,420</b>	<b>15,214</b>	<b>9,258</b>	<b>61,717</b>	<b>13,053</b>	<b>2,375</b>
Shared Costs Applied	10,011	5,136	1,558	2,165	3,457	417	1,034	-
<b>Total Expenditures</b>	<b>315,888</b>	<b>20,166</b>	<b>5,978</b>	<b>17,379</b>	<b>12,715</b>	<b>62,134</b>	<b>14,087</b>	<b>2,375</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,250</b>	<b>\$ 18,316</b>	<b>\$ -</b>	<b>\$ (18,104)</b>	<b>\$ -</b>	<b>\$ -</b>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Home Ownership Counseling	Pennyrile Housing Corporation	Pennyrile Dev & Gov't Center	Workforce Investment Board	Computer Services	Shared Cost Allocation	Total
<b>Revenues</b>							
Federal	\$ -	\$ -	\$ -	\$ 5,452,084	\$ -	\$ -	\$ 7,278,192
State	2,750	-	-	-	-	-	2,695,522
Local							
Annual Assessments	-	-	-	-	-	-	65,816
Interest Income	-	4,228	210	-	-	-	71,196
Local Match	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	-	-	-	(3)
Other Revenues	-	88,946	53,778	504	4,768	-	511,154
Program Income	-	-	-	-	-	-	159,689
In-kind Revenue	-	-	-	-	-	-	100,689
<b>Total Revenues</b>	<u>2,750</u>	<u>93,174</u>	<u>53,988</u>	<u>5,452,588</u>	<u>4,768</u>	<u>-</u>	<u>10,882,255</u>
<b>Expenditures</b>							
Direct Expenditures							
Salaries	1,289	36,671	-	659,852	2,179	306,630	1,780,640
Employee Benefits	844	22,966	-	249,232	966	156,861	672,585
Annual Leave	129	3,122	-	42,546	221	22,053	114,210
Travel	13	1,935	-	70,380	225	60,957	204,275
Contracted Services	-	-	-	3,879,080	-	-	6,919,022
Duplicating	-	42	-	7,799	3	5,331	23,636
Postage	-	82	-	1,456	37	5,666	15,540
Depreciation	-	-	40,675	-	-	13,329	77,550
Interest	-	2,138	12,583	-	-	-	34,337
Other Direct Costs	-	2,259	520	153,870	75	307,655	622,272
In-Kind Expenditures	-	-	-	-	-	-	260,378
<b>Total Direct Expenditures</b>	<u>2,275</u>	<u>69,215</u>	<u>53,778</u>	<u>5,064,215</u>	<u>3,706</u>	<u>878,482</u>	<u>10,724,445</u>
Shared Costs Applied	<u>872</u>	<u>24,335</u>	<u>-</u>	<u>388,373</u>	<u>1,191</u>	<u>(882,119)</u>	<u>-</u>
<b>Total Expenditures</b>	<u>3,147</u>	<u>93,550</u>	<u>53,778</u>	<u>5,452,588</u>	<u>4,897</u>	<u>(3,637)</u>	<u>10,724,445</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ (397)</u>	<u>\$ (376)</u>	<u>\$ 210</u>	<u>-</u>	<u>\$ (129)</u>	<u>3,637</u>	<u>\$ 157,810</u>

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



**THURMAN CAMPBELL GROUP, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Members:  
American Institute of  
Certified Public Accountants  
  
Kentucky Society of  
Certified Public Accountants  
  
Tennessee Society of  
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units and each major fund of Pennyriple 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 Pennyriple Area Development District's basic financial statements, and have issued our report thereon dated January 11, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pennyriple 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.

*Thurman Campbell Group, PLC*

Hopkinsville, Kentucky

January 11, 2016



**THURMAN CAMPBELL GROUP, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Members:  
American Institute of  
Certified Public Accountants  
  
Kentucky Society of  
Certified Public Accountants  
  
Tennessee Society of  
Certified Public Accountants

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Pennyrile Area Development District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pennyrile Area Development District's major federal programs for the year ended June 30, 2015. Pennyrile Area Development District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Pennyrile Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Report on Internal Control over Compliance**

Management of Pennyriple 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 Pennyriple 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 Pennyriple Area Development District's internal control over compliance.

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

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

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

*Thurman Campbell Group, PLC*

Hopkinsville, Kentucky  
January 11, 2016

**PENNYRILE AREA DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

**Federal Awards**

Internal Control over Major Programs: Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified that are not Considered to be Material Weaknesses?	None Reported

Identification of Major Programs:

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

- Aging Cluster
  - CFDA #93.044 – Title III Part B – Support Services
  - CFDA #93.045 – Title III Part C – Nutrition Services
  - CFDA #93.053 – Nutrition Services Incentive

- Trade Adjustment Assistance
  - CFDA #17.245 – Trade Adjustment Assistance

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$300,000
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Auditee Qualified as Low-Risk Auditee?	Yes
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**Schedule II – Financial Statement Findings**

No matters were reported

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported