

**BUFFALO TRACE
AREA DEVELOPMENT DISTRICT
Maysville, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Buffalo Trace Area Development District
Maysville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo Trace Area Development District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 3-5, 20 and 21 are 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 the Buffalo Trace Area Development District's basic financial statements. The supplementary budgetary comparison and grant schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of Buffalo Trace Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Buffalo Trace Area Development District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
November 13, 2015

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management's discussion and analysis (MD&A) provides an overview of Buffalo Trace Area Development District's (the District) financial performance during the fiscal year 2015. Please read the following in conjunction with the District's audited financial statements. A comparative analysis has been presented as a single fund, special-purpose government.

OVERVIEW OF THE ANNUAL REPORT

This annual report includes the management's discussion and analysis, the independent auditor's report, the District's audited financial statements, and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements. The District implemented GASB 68 during the year, which requires the District to restate its beginning net position. Due to this restatement, the District will present only the current year financial statements while comparative years are presented here in the MD&A.

REQUIRED FINANCIAL STATEMENTS

The District's financial statements utilize the full accrual basis of accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board as it relates to a single fund special-purpose government. The required financial statements are the District's statement of net position, statement of revenue, expenses and changes in net position and a statement of cash flows. The District does not utilize multiple funds in accounting for its financial activities; therefore, only fund type statements are presented. The statement of net position details the District's investments (assets), debt (liabilities), and net position (net assets).

FINANCIAL ANALYSIS OF THE DISTRICT

The Condensed Statement of Net Position reveals total assets for fiscal year 2015, increased approximately \$770,000 from fiscal year 2014. This is due primarily to an increase in loans receivable. Long-term liabilities increased primarily due to the implementation of GASB 68. The district was required to recognize a net pension liability of approximately \$1,787,000. Most other asset and liability accounts are similar to last year. The following is a condensed statement of Net position.

Condensed Statement of Net Position

	<u>FY 2015</u>	<u>FY 2014</u>
Current & Other Assets	\$ 7,048,711	\$ 6,289,783
Capital Assets	<u>61,154</u>	<u>45,956</u>
Total Assets	<u>\$ 7,109,865</u>	<u>\$ 6,335,739</u>
Current & Other Liabilities	\$ 3,053,016	\$ 803,209
Notes Payable long-term	437,981	482,144
Net position		
Invested in capital assets	61,154	45,956
Restricted	3,308,682	3,290,654
Unreserved	<u>249,032</u>	<u>1,713,766</u>
Total Liabilities & Net Position	<u>\$ 7,109,865</u>	<u>\$ 6,335,739</u>

The District had an operating net gain of approximately \$400,000 and an overall net gain of \$411,000 in fiscal year 2015 compared to an operating net gain of \$300,000 and an overall net gain of \$310,000 in fiscal year 2014. Revenues decreased slightly in fiscal year 2015 by approximately \$16,000. Interest on investments totaled \$11,000. Expenses decreased for the year mainly due to pass-through Agriculture funds.

Statement of Revenues and Expenditures

	<u>FY 2015</u>	<u>FY 2014</u>
Federal revenues	\$ 2,503,297	\$ 2,388,222
State revenues	1,217,030	1,417,999
Local and Other	1,256,407	1,187,584
Interest Revenue	<u>137,799</u>	<u>135,969</u>
Total Revenues	<u>\$ 5,114,533</u>	<u>\$ 5,129,774</u>
Expenditures		
Salaries	\$ 1,109,843	\$ 1,096,554
Fringe benefits	698,916	733,343
Travel	43,625	51,396
Subgrantees	1,853,256	1,812,490
Other	<u>996,975</u>	<u>1,125,709</u>
Total Expenditures	<u>\$ 4,702,615</u>	<u>\$ 4,819,492</u>
Excess Revenue		
Over (Under) Expenditures	<u>\$ 411,918</u>	<u>\$ 310,282</u>

CAPITAL ASSETS

The District invested \$35,550 in capital assets for fiscal year 2015. This was the purchase of new vehicles. Accumulated depreciation increased \$20,352 from fiscal year 2014 to fiscal year 2015, leaving a remaining balance of \$61,154 in net capital assets.

	Balance June 30, <u>2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2015</u>
Property & Equipment	\$ 274,816	\$ 35,550	\$ 15,670	\$ 294,696
Accumulated Depreciation	\$ 228,860	\$ 20,352	\$ 15,670	\$ 233,542

LONG-TERM DEBT

The District, in order to stimulate economic development and assist individuals in obtaining and rehabilitating residences, has chosen to participate in programs that require the District to obtain long-term financing. The District, after obtaining these low-interest loans, uses this funding to create a loan program for the before mentioned reasons. The loans are repaid from payments collected from borrowers. Loan balances at June 30, 2015 were \$482,706 compared to \$526,663 in 2014.

	Balance June 30, <u>2014</u>	Principal <u>Additions</u>	Principal <u>Payments</u>	Balance June 30, <u>2015</u>
Notes Payable	\$ 526,663	\$ -0-	\$ 43,947	\$ 482,706

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2016 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2015, several of our state contracts had not been finalized due to budget uncertainty. We are speculating that our federal and state revenue will decrease due to budget cuts. Our Medicaid CDO program should continue to grow in fiscal year 2015 along with the loan program.

CONTACTING THE DISTRICT

The financial report is designed to provide the District's citizens, investors, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Michael Thoroughman, Finance Officer, at 201 Government Street, Suite 300, Maysville, Kentucky 41056.

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,348,914
Cash and cash equivalents - restricted	507,806
Accounts receivable	
Federal and state	659,013
Local	83,014
Related parties	341,216
Interest receivable	27,959
Prepaid expenses	<u>17,381</u>
Total current assets	<u>2,985,303</u>
Non-current assets	
Property and equipment, net	61,154
Note receivable	94,667
Loans receivable, net of allowance - restricted	<u>3,799,909</u>
Total non-current assets	<u>3,955,730</u>
Total assets	<u>6,941,033</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	<u>168,832</u>
Total assets and deferred outflows of resources	<u>\$ 7,109,865</u>

LIABILITIES AND NET POSITION

Current liabilities	
Accounts payable	\$ 527,917
Accrued expenses	38,143
Accrued interest	1,279
Other liabilities	100,610
Notes payable, current portion	44,725
Unearned grant revenue	<u>328,241</u>
Total current liabilities	<u>1,040,915</u>
Long-term liabilities	
Accrued annual leave	65,464
Notes payable	437,981
Net pension liability	<u>1,787,437</u>
Total long-term liabilities	<u>2,290,882</u>
Total liabilities	<u>3,331,797</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	<u>159,200</u>
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Net position	
Net investment in capital assets	61,154
Restricted for economic development	3,308,682
Unrestricted	<u>249,032</u>
Total net position	<u>3,618,868</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 7,109,865</u>
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The accompanying notes are an integral part of the financial statements.

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

OPERATING REVENUES

Federal	\$ 2,503,297
Commonwealth of Kentucky	1,217,030
Local (includes subrecipients)	1,123,339
Program income	35,580
In-kind	97,488
Revolving loan interest	<u>126,680</u>

Total operating revenues 5,103,414

OPERATING EXPENSES

Salaries	1,109,844
Fringe benefits	698,916
Travel	43,625
Subgrantees	1,853,255
Agriculture pass-through	438,487
Supplies	60,293
Postage	1,725
Dues and subscriptions	8,063
Depreciation	20,352
Equipment and software maintenance	18,269
Interest	5,149
In-kind	97,488
Bad debts	63,783
Other	<u>283,366</u>

Total operating expenses 4,702,615

OPERATING INCOME 400,799

NON-OPERATING INCOME

Bank interest	<u>11,119</u>
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Change in net position 411,918

Net position, beginning of year, as restated 3,206,950

NET POSITION, END OF YEAR \$ 3,618,868

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

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor agencies	\$ 3,896,755
Local cash received	577,060
Payments to suppliers	(2,634,151)
Payments for employee services and benefits	(1,892,407)
Revolving loan interest income	124,140
Revolving loan interest expense	<u>(5,242)</u>
Net cash provided by operating activities	<u>66,155</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(35,550)
Proceeds from sale of assets	<u>154</u>
Net cash (used in) capital and related financing activities	<u>(35,396)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Bank interest	<u>11,119</u>
Net cash provided by investing activities	<u>11,119</u>

Net increase in cash and cash equivalents	41,878
Cash and cash equivalents - beginning of the year	<u>1,814,842</u>

CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 1,856,720</u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 400,799
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	20,352
Gain on sale of assets	(450)
Change in assets and liabilities:	
Receivables, net	100,173
Interest receivable	(597)
Prepaid expenses	26,132
Note receivable	47,333
Loans receivable	(669,463)
Accounts and other payables	189,496
Accrued expenses	528
Accrued leave	(3,343)
Accrued interest	(93)
Deferred revenues	64,877
Principal paid on debt related to loans receivable	(43,957)
Net pension liability	<u>(65,632)</u>
Net cash provided by operating activities	<u>\$ 66,155</u>

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

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - The District has no oversight responsibility for any other entity since control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Basis of Presentation - The District's financial statements conform to the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" as it relates to special-purpose governments and, accordingly, the financial statements consist of the following:

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

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

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

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

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

Revenue Recognition Policies - The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts upon the completion of agreed upon services.

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

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

Restricted Net Assets - The District uses restricted net assets first to offset expense, when available, if both restricted and unrestricted net assets are available.

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fixed Assets - Property and equipment are stated at cost and depreciated over their estimated useful lives of three (3) to ten (10) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles and leasehold improvements. Depreciation expense is charged to both direct and shared costs. The shared cost portion is allocated to the various grants using the approved cost allocation plan. The threshold for capitalization is \$3,000.

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

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

Compensated Absences - Employees of the District accrue sick leave at the rate of 1 day per month. 30-hour part-time employees earn sick leave on a pro rata basis as determined by the Executive Director. Sick leave that may be accrued is limited to 90 days. Sick leave is forfeited upon termination of employment. Annual leave earned is based on seniority at the rates of 12 to 21 days per year and can be carried forward from one year to the next. A maximum of 30 days may be carried forward. All days in excess of 30 are forfeited. The District pays up to 15 days of leave upon separation with an employee. The accrued liability for accumulated annual leave is reported on the balance sheet at June 30, 2015 as \$65,464.

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

Income Taxes - The District is a governmental non-profit organization formed in 1972, and is exempt from income taxes under Internal Revenue Code, 501(c)(1) as determined by the IRS. The District is no longer subject to income tax examinations by tax authorities for years before 2012.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through November 13, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2015, have not been evaluated by the District.

2. CASH

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

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

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

2. CASH (CONTINUED)

The District's deposits and investments at June 30, 2015 and 2014 were fully covered by federal depository insurance or by collateral held by the custodial banks in the District's name. Cash coverage and collateralization is as follows at June 30, 2015:

FDIC Insurance	\$ 250,000
Collateralized by securities held in District's name	<u>1,774,623</u>
Total bank balances	<u>\$ 2,024,623</u>

3. GRANTS RECEIVABLE

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

Current miscellaneous projects	\$ 83,014
Aging - Various grants	161,029
FEMA Hazard Mitigation	53,415
KY Planning	11,539
KY Centerline	1,753
KY Sign inventory	15,230
CCC	16,696
CCP	14,582
WIA	<u>384,769</u>
Total grant receivable	<u>\$ 742,027</u>

4. LOANS RECEIVABLE

Buffalo Trace Area Development District has established various loan programs to assist a wide range of residents and businesses in its district. These loan programs are as follows:

Revolving Loan Program – established by initial grants from the Economic Development Administration to assist high-risk small businesses in the area local communities with infrastructure. The infrastructure revolving loan fund was merged with the business loan fund during the year ended June 30, 2010 at the request of the EDA.

Agriculture Revolving Loan Program – established with tobacco settlement money granted to the District by the Governor's Agriculture Policy Board.

Maysville Revolving Loan Program – initially funded by the City of Maysville to promote economic development within the City. The majority of these loans are fully reserved per the program stipulations.

Intermediary Re-lending Program – Established by an initial loan from USDA Rural Development to promote economic development within the District area,

Second Mortgage Loan Program – originated from a CDBG grant to assist qualifying individuals in obtaining low interest second mortgages for their homes.

Nonprofit Housing Production Loan Program – funding originates from the Kentucky Housing Corporation to provide loans to purchase or rehabilitate homes for low-income individuals.

Rural Business Enterprise Grant – funding originated during 2013 from a grant from the USDA Rural Development in order to promote economic development in rural areas. As the \$200,000 grant is drawn down and issued as loans, this becomes an economic development revolving loan fund.

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

4. LOANS RECEIVABLE (CONTINUED)

Loans receivable for each respective program consist of the following at June 30, 2015:

Revolving loans – business	\$ 1,553,642
USDA RD – business	148,098
Revolving loans - agriculture	1,079,606
Maysville revolving loans	460,290
Intermediary loans	258,832
SBA Micro loans	4,654
CDBG Second mortgages	120,315
NHPLP	<u>521,925</u>
 Total	 4,147,362
Less: reserve for Maysville RLF	<u>(347,453)</u>
 Net loans receivable	 <u>\$ 3,799,909</u>

Loans program receivables and the related cash balances are shown as restricted assets on the statement of net assets because they cannot be used for the general operation of the District.

5. NOTE RECEIVABLE

The District carries a note receivable from Buffalo Trace Area Development District, LTD, a low-income housing project that several area municipalities and businesses have funded. The District has a partnership interest of 0.25%. At June 30, 2015 BTADD LTD owed the District \$94,667. Payment on the note has been deferred until the project becomes profitable. The note is due in full on July 21, 2043. At this time, the District feels the note may not be fully collectible and \$47,333 of bad debt expense was incurred to write down the receivable.

6. CAPITAL ASSETS

The District maintains property and equipment used in its operations. Fixed assets are stated at cost and depreciated over their estimated useful lives of three (3) to ten (10) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles and leasehold improvements. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan. Depreciation expense totaled \$20,352 for the year ended June 30, 2015.

The following summarizes the changes in fixed assets during the year ended June 30, 2015:

	6/30/2014 Balance	FY 2015 Additions	FY 2015 Disposals	6/30/2015 Balance
Property and equipment	\$ 274,816	\$ 35,550	\$ (15,670)	\$ 294,696
Accumulated depreciation	<u>(228,860)</u>	<u>(20,352)</u>	<u>15,670</u>	<u>(233,542)</u>
Net	<u>\$ 45,956</u>	<u>\$ 15,198</u>	<u>\$ -</u>	<u>\$ 61,154</u>

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

7. UNEARNED GRANT REVENUE

The unearned grant revenue includes revenues received, but not earned. The detail of those grants is as follows at June 30, 2015,:

Grant Name	
Job Club	\$ 89
Autism Awareness	207
Ewing Volunteer Fire Department	16,709
Flemingsburg CDBG	6,250
Ewing School Sewer	12,789
Fleming County Water GPS	450
CCC	257
Health Benefits Exchange	10
MIPPA	542
Title III – Support Services	569
Ombudsman Donation	22
Title III Preventative Health	29
Arthritis CDC	1
Title III Caregiver	438
Homecare	45
Homecare Admin	43
ADRC	765
KIA	12,686
CDO	50,000
ARC	2,770
JFA	958
Mason Co. CAIP	46,150
Bracken Co. CAIP	<u>176,462</u>
Total	<u>\$ 328,241</u>

8. LONG-TERM LIABILITIES

Notes payable consists of various loans which were obtained for lending purposes for economic development and low-income housing and will be repaid from payments collected from borrowers. Notes payable are as follows at June 30, 2015:

Kentucky Housing Corporation, consists of various smaller loans, each with a 20-year maturity, annual principal and interest payments of approximately \$27,000, each bears interest at a rate of 1%, currently due June of 2029.	\$ 226,870
USDA Rural Development, obtained for the Intermediary Re-lending Program, annual principal and interest payments of \$19,374, bears interest at a rate of 1%, due December 19, 2030.	<u>255,836</u>
Total debt	482,706
Less: current portion	<u>(44,725)</u>
Total long-term debt	<u>\$ 437,981</u>

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

8. LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of total debt maturities due for the years ending:

June 30,	Principal	Interest	Total
2016	\$ 44,725	\$ 4,919	\$ 49,644
2017	44,213	4,472	48,685
2018	42,558	4,031	46,589
2019	42,748	3,604	46,352
2020	42,938	3,177	46,115
2021-2025	165,245	10,080	175,325
2026-2030	97,630	3,193	100,823
2031	<u>2,649</u>	<u>5</u>	<u>2,654</u>
Total	<u>\$ 482,706</u>	<u>\$ 33,481</u>	<u>\$ 516,187</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015,:

	6/30/2014	Additions	Payments	6/30/2015
Accrued absences	\$ 68,807	\$ 19,793	\$ (23,136)	\$ 65,464
Debt	526,663	-	(43,756)	482,706
Net pension liability	<u>2,019,876</u>	<u>-</u>	<u>(232,439)</u>	<u>1,787,437</u>
Totals	<u>\$ 2,615,346</u>	<u>\$ 19,793</u>	<u>\$ (299,532)</u>	<u>\$ 2,335,607</u>

9. RETIREMENT PLAN

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

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

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

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

9. RETIREMENT PLAN (CONTINUED)

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

The District contributed \$233,981 for the year ended June 30, 2015, or 100% of the required contribution. The contribution was allocated \$65,149 to the CERS pension fund and \$168,832 to the CERS insurance fund.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the District reported a liability of \$1,787,437 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was .055 percent, which was equal to its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$103,200. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	159,200
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	168,832	-
Total	\$ 168,832	\$ 159,200

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

9. RETIREMENT PLAN (CONTINUED)

The \$159,200 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ (39,800)
2017	(39,800)
2018	(39,800)
2019	(39,800)

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

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

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

9. RETIREMENT PLAN (CONTINUED)

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

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

Payable to the Pension Plan – At June 30, 2015, the District reported a payable of \$26,269 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015. The payable includes both the pension and insurance contribution allocation.

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

10. OPERATING LEASE

The District entered into an operating lease with the City of Maysville for the use of office space effective July 1, 2001, for a term of 15 years. Lease expense for the years ended June 30, 2015 totaled \$60,600.

Future minimum lease payments under this operating lease are as follows:

June 30,	
2016	\$ <u>60,600</u>
Total	\$ <u>60,600</u>

11. COMMITMENTS AND CONTINGENCIES

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

12. COST ALLOCATION PLAN

Buffalo Trace Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225 (OMB Circular A-87). A summary of the cost allocation plan begins on page 23. The District is in conformity with 2 CFR Part 225.

13. RELATED PARTY TRANSACTIONS

Buffalo Trace Area Development District CDO

The District provides fiscal management services to Buffalo Trace CDO program as Fiscal Agent (BTADD CDO). BTADD CDO operates the Consumer Directed Options program for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Buffalo Trace Area District. Waiver clients have the option to choose CDO at any time.

The District serves as the fiscal agent for the client and as a support broker. As clients opt for CDO, Medicaid advances funds based on client budgets. These funds are to be used to pay for services on behalf of the client. Throughout the year, DAIL reassesses the CDO program funding. Funds for each ADD are realigned and/or increased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed and the funds are paid to the CDO program. The CDO program then pays the District for its administrative responsibilities. During the year ended June 30, 2015, the District received \$795,971 from the CDO program for administration and District was owed \$334,008 by the CDO program.

Buffalo Trace Regional Housing Authority

The District provides fiscal management to the Buffalo Trace Regional Housing Authority. The District receives an administrative fee each year based upon actual time charged. At June 30, 2015, the Authority owed the District \$7,208, respectively, for fiscal management services.

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

14. RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 68

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

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

Net position, at beginning of year	\$ 5,050,387
Beginning net pension liability	<u>(1,843,437)</u>
Net position, at beginning of year, as restated	<u>\$ 3,206,950</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014
District's proportion of the net pension liability	0.06%	0.06%
District's proportionate share of the net pension liability (asset)	\$ 1,787,437	\$ 2,019,876
District's covered employee payroll	\$ 1,291,760	\$ 1,257,090
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	138.37%	160.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	61.22%

Notes:

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

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

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS
Last Three Fiscal Years**

	2015	2014	2013
Contractually required employer contribution	\$ 168,832	\$ 176,439	\$ 149,771
Contributions relative to contractually required employer contribution	<u>\$ 168,832</u>	<u>\$ 176,439</u>	<u>\$ 149,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,291,760	\$ 1,257,090	\$ 1,185,208
Employer contributions as a percentage of covered-employee payroll	13.07%	14.04%	12.64%

Notes:

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

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

SUPPLEMENTARY INFORMATION

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
for the year ended June 30, 2015**

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 2,374,188	\$ 2,374,188	2,503,297	\$ 129,109
State funds	1,336,988	1,336,988	1,217,030	(119,958)
Local dues and other	1,348,355	1,348,355	1,358,626	10,271
Local service	-	-	35,580	35,580
Carryover	<u>2,115,000</u>	<u>2,115,000</u>	<u>-</u>	<u>(2,115,000)</u>
	<u>7,174,531</u>	<u>7,174,531</u>	<u>5,114,533</u>	<u>(2,059,998)</u>
EXPENDITURES				
Salaries and wages	1,363,939	1,363,939	1,109,844	(254,095)
Employee benefits	606,007	606,007	698,916	92,909
Travel	45,000	45,000	43,625	(1,375)
Pass through to local agencies	2,214,022	2,214,022	1,853,255	(360,767)
Supplies	35,000	35,000	60,293	25,293
Dues, fees and subscriptions	10,000	10,000	8,063	(1,937)
Equipment, leases and depreciation	70,600	70,600	38,621	(31,979)
Other costs	330,207	330,207	889,998	559,791
Carryover	<u>2,499,756</u>	<u>2,499,756</u>	<u>-</u>	<u>(2,499,756)</u>
	<u>7,174,531</u>	<u>7,174,531</u>	<u>4,702,615</u>	<u>(2,471,916)</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,918</u>	<u>\$ 411,918</u>

COST ALLOCATION POLICY

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY**

All funds expended by the Buffalo Trace Area Development District (the District) are charged either to a specific grant and/or program element as a Direct Charge or spread to all grants and/or program elements as a shared (indirect) cost in conformity with 2 CFR Part 225, formerly OMB Circular A-87. Direct charges are defined as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purposes benefiting more than one grant and/or program element. Below is a listing of direct and shared costs as they are charged by the District.

Direct/Shared Costs

1. **Salary** - Salaries of all professional employees are charged as direct costs to the grants and/or program elements in which their work is attributable. These charges are based on time sheets submitted by all employees. The Executive Director, fiscal officer and any employee whose time is fragmented between many elements are charged in part or in whole as direct or shared costs.
2. **Employee Burden, Fringe Benefits, Sick and Holiday Leave** - All employee burden which can be specifically related to an employee whose salary is charged as a direct cost, is allocated proportionately to direct salaries as a direct cost. Similarly, the employee burden of those persons whose salary is charged as a shared cost is allocated as a shared cost.
3. **Consultant Contracts and Contractual Services** - Contracts whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services, whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services whose content cannot be directly attributed to a specific program task, are charged as shared costs.
4. **Printing** - Outside printing costs which are readily identifiable and attributable to documents within a specific grant and/or work element are charged as direct costs. Miscellaneous printing costs are charged as shared costs.
5. **Travel** - All travel costs, which are directly attributable to an employee whose salary is charged as a direct cost is also charged as direct cost. All other travel costs, for Staff and Board, are charged as shared costs. Staff travel costs are allocated to grants and/or program elements accordingly to the total time spent by an employee on a specific program element during the month in which the travel occurred.
6. **Audit Fees** – General audit fees are charged as a shared cost. Specific program audit fees are charged as a direct cost.
7. **Building Rental**- Building rental and the associated utilities costs are charged as shared costs except for the One-Stop's that house the WIA Counselors and Case Managers. Costs associated with those particular buildings are charged as direct costs to the WIA grant.

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY (CONTINUED)**

8. **Equipment Rental/Purchase** – The purchase of equipment and/or any depreciation or rental charge on purchased equipment is charged, if allowable, as a direct cost to the applicable program element(s). All other equipment purchases and/or depreciation, or rental is to be charged as a shared cost.
9. **Communications** - All communication costs, including telephone, postage and the like, are charged as shared costs unless directly attributable to a program.
10. **Classified Advertising** – All classified advertising costs are charged as direct costs to the applicable program element(s). General classified advertising costs are charged as shared costs.
11. All additional costs which are not identified above are charged as shared costs unless otherwise indicated by the Department for Local Government or prohibited by Federal regulations.

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the year ended June 30, 2015**

Cost Category

Personnel compensation and burden	\$ 136,253
Travel	5,722
Accounting and audit	17,396
Equipment, leases and depreciation	107,444
Supplies	17,285
Postage	10,000
Telephone and utilities	17,943
Dues, fees and subscriptions	10,400
Other	<u>31,323</u>
 Total shared costs allocated	 <u><u>\$ 353,766</u></u>

**STATEMENTS OF OPERATIONS
BY PROGRAM**

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TOTAL GRANTS AND CONTRACTS
for the year ended June 30, 2015**

	JFA Schedule	Area Agency on Aging	Other Aging	WIA	Agriculture Services	Contract Services	Special Services	Non-grant Services	G & A Expense	Local Operations	Total
Revenues											
Federal grant	\$ 126,297	\$ 460,803	\$ 105,920	\$ 1,739,000	\$ -	\$ 71,277	\$ -	\$ -	\$ -	\$ -	\$ 2,503,297
State grant	94,674	485,538	-	-	487,030	70,398	1,193	78,197	-	-	1,217,030
Local	-	85,448	44,393	-	-	-	22,245	-	-	-	152,086
Other	-	370	795,971	-	-	-	126,680	179,259	-	56,555	1,158,835
Local assessments	-	-	-	-	-	-	-	-	-	47,705	47,705
Interest on advance	-	-	-	-	-	-	-	-	-	-	-
Program income	-	35,472	-	108	-	-	-	-	-	-	35,580
Local funds applied	-	2,371	-	-	-	9,014	986	3,691	-	(16,062)	-
Total revenues	220,971	1,070,002	946,284	1,739,108	487,030	150,689	151,104	261,147	-	88,198	5,114,533
Expenditures											
Salaries	94,389	195,556	228,035	270,938	10,924	41,170	26,297	106,282	136,253	-	1,109,844
Fringe benefits	74,473	153,312	179,735	212,724	8,216	32,600	20,662	82,824	-	(65,630)	698,916
Travel	6,231	4,147	6,219	14,461	165	446	416	5,818	5,722	-	43,625
Subgrantees	-	609,728	130,149	1,113,378	-	-	-	-	-	-	1,853,255
Other costs	11,498	35,944	21,464	29,256	463,828	60,452	70,461	20,438	211,791	71,843	996,975
Total direct cost	186,591	998,687	565,602	1,640,757	483,133	134,668	117,836	215,362	353,766	6,213	4,702,615
Shared costs	34,380	71,315	75,393	98,351	3,897	16,021	9,558	44,850	(353,766)	-	-
Total expenditures	220,971	1,070,002	640,995	1,739,108	487,030	150,689	127,394	260,212	-	6,213	4,702,615
Revenue over expenditures	\$ -	\$ -	\$ 305,289	\$ -	\$ -	\$ -	\$ 23,710	\$ 935	\$ -	\$ 81,985	\$ 411,918

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
Period of Performance: July 1, 2014 - June 30, 2015**

		Budget	Direct	Indirect	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 126,297			\$ 126,297	\$ -	
State Funds		94,854			94,674	(180)	
Local Funds		<u>-</u>			<u>-</u>	<u>-</u>	
Total revenues		<u>221,151</u>			<u>220,971</u>	<u>(180)</u>	
Expenditures							
Community & Economic Planning & Development	120	82,953	71,031	11,922	82,953	-	
Community Development Block Grant	125	28,365	23,596	4,589	28,185	(180)	
ARC Planning	130	88,194	73,959	14,235	88,194	-	
Management Assistance	140	12,562	10,443	2,119	12,562	-	
Program Administration	150	<u>9,077</u>	<u>7,562</u>	<u>1,515</u>	<u>9,077</u>	<u>-</u>	
		<u>\$ 221,151</u>	<u>\$ 186,591</u>	<u>\$ 34,380</u>	<u>\$ 220,971</u>	<u>\$ (180)</u>	<u>\$ -</u>
Revenues over Expenditures		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

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

	Agency Adminis- tration	Social Services III B	Ombudsman Title III	Cong. Meals III C-1	H.D. Meals III C-2	NSIP	Health Promotion III D	Family Caregiver III E	Title VII Elder Abuse	Title VII Ombuds- man	KY Ombudsman	KY Caregiver	Total
Revenues													
Federal grant	\$ 35,660	\$ 97,763	\$ 22,635	\$ 99,554	\$ 64,135	\$ 36,557	\$ 4,774	\$ 32,958	\$ 1,164	\$ 2,020	\$ -	\$ -	\$ 397,220
State grant	11,899	29,550	10,665	5,400	9,000	-	3,891	9,758	205	348	22,635	33,589	136,940
Local	-	14,913	-	22,192	14,639	-	1,198	5,235	-	-	-	-	58,177
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	7,507	-	24,515	2,269	-	-	-	-	-	-	-	34,291
Local funds applied	<u>32</u>	<u>518</u>	<u>72</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>943</u>	<u>255</u>	<u>1,831</u>
Total revenues	<u>47,591</u>	<u>150,251</u>	<u>33,372</u>	<u>151,661</u>	<u>90,043</u>	<u>36,557</u>	<u>9,863</u>	<u>47,951</u>	<u>1,369</u>	<u>2,379</u>	<u>23,578</u>	<u>33,844</u>	<u>628,459</u>
Expenditures													
Salaries	20,065	18,300	14,923	-	-	-	852	12,086	662	1,158	10,677	5,818	84,541
Fringe benefits	15,579	14,670	11,682	-	-	-	641	9,362	475	818	8,526	4,560	66,313
Travel	1,063	278	791	-	-	-	-	233	-	-	143	50	2,558
Subgrantees	-	109,349	-	151,661	90,043	36,557	7,984	20,805	-	-	-	-	416,399
Other costs	<u>3,623</u>	<u>988</u>	<u>576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>1,099</u>	<u>-</u>	<u>-</u>	<u>220</u>	<u>21,264</u>	<u>27,825</u>
Total direct cost	40,330	143,585	27,972	151,661	90,043	36,557	9,532	43,585	1,137	1,976	19,566	31,692	597,636
Shared costs	<u>7,261</u>	<u>6,666</u>	<u>5,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331</u>	<u>4,366</u>	<u>232</u>	<u>403</u>	<u>4,012</u>	<u>2,152</u>	<u>30,823</u>
Total expenditures	<u>47,591</u>	<u>150,251</u>	<u>33,372</u>	<u>151,661</u>	<u>90,043</u>	<u>36,557</u>	<u>9,863</u>	<u>47,951</u>	<u>1,369</u>	<u>2,379</u>	<u>23,578</u>	<u>33,844</u>	<u>628,459</u>
Revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Total Previous Page	Total Homecare	CMS SHIP	ADRC PDI	CDSME	FAST	IAO	Admin. Base	MIPPA AAA	MIPPA ADRC	HBE	Total Agency on Aging
Revenues												
Federal grant	\$ 397,220	\$ -	\$ 10,093	\$ 8,265	\$ 3,720	\$ 966	\$ 2,375	\$ -	\$ 17,188	\$ 4,916	\$ 16,060	\$ 460,803
State grant	136,940	278,525	-	35,073	-	-	-	35,000	-	-	-	485,538
Local	58,177	27,271	-	-	-	-	-	-	-	-	-	85,448
Other	-	-	370	-	-	-	-	-	-	-	-	370
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-
Program income	34,291	1,181	-	-	-	-	-	-	-	-	-	35,472
Local funds applied	1,831	94	144	-	229	-	-	-	66	7	-	2,371
Total revenues	628,459	307,071	10,607	43,338	3,949	966	2,375	35,000	17,254	4,923	16,060	1,070,002
Expenditures												
Salaries	84,541	50,973	4,736	18,575	1,666	450	1,128	15,964	8,042	2,326	7,155	195,556
Fringe benefits	66,313	40,122	3,765	14,086	1,179	295	846	12,933	6,288	1,769	5,716	153,312
Travel	2,558	1,208	115	124	56	43	-	-	-	-	43	4,147
Subgrantees	416,399	189,671	-	3,658	-	-	-	-	-	-	-	609,728
Other costs	27,825	6,369	272	247	469	-	-	220	27	-	515	35,944
Total direct cost	597,636	288,343	8,888	36,690	3,370	788	1,974	29,117	14,357	4,095	13,429	998,687
Shared costs	30,823	18,728	1,719	6,648	579	178	401	5,883	2,897	828	2,631	71,315
Total expenditures	628,459	307,071	10,607	43,338	3,949	966	2,375	35,000	17,254	4,923	16,060	1,070,002
Revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
MISCELLANEOUS AGING PROGRAMS
for the year ended June 30, 2015**

	CCC	CDO Financial Management	CDO Support Broker	Total Other Aging
Revenues				
Federal grant	\$ 105,920	\$ -	\$ -	\$ 105,920
State grant	-	-	-	-
Local	44,393	-	-	44,393
Other	-	206,930	589,041	795,971
Interest on advance	-	-	-	-
Program income	-	-	-	-
Local funds applied	-	-	-	-
	<u>150,313</u>	<u>206,930</u>	<u>589,041</u>	<u>946,284</u>
Total revenues	<u>150,313</u>	<u>206,930</u>	<u>589,041</u>	<u>946,284</u>
Expenditures				
Salaries	6,808	36,238	184,989	228,035
Fringe benefits	5,260	28,812	145,663	179,735
Travel	273	-	5,946	6,219
Subgrantees	130,149	-	-	130,149
Other costs	5,366	704	15,394	21,464
	<u>147,856</u>	<u>65,754</u>	<u>351,992</u>	<u>565,602</u>
Total direct cost	<u>147,856</u>	<u>65,754</u>	<u>351,992</u>	<u>565,602</u>
Shared costs	<u>2,457</u>	<u>13,240</u>	<u>59,696</u>	<u>75,393</u>
Total expenditures	<u>150,313</u>	<u>78,994</u>	<u>411,688</u>	<u>640,995</u>
Revenue over expenditures	<u>\$ -</u>	<u>\$ 127,936</u>	<u>\$ 177,353</u>	<u>\$ 305,289</u>

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
WORKFORCE INVESTMENT ACT
for the year ended June 30, 2015**

Grant number	WIA 27215-11	WIA 2705-12	WIA 205BE13-13	WIA 27315-14	WIA 27115-15	WIA 258GO15-16	WIA 205BE12-91	WIA 27414-92	WIA 27214-93	WIA 27114-95	WIA 27314-96	WIA 258DW13-97	WIA 274SR15-98	WIA Total
Revenues														
Federal grant	\$ 7,562	\$ 3,224	\$ 192,707	\$ 338,626	\$ 46,112	\$ 39,130	\$ 9,081	\$ 282,726	\$ 36,729	\$ 363,027	\$ 262,180	\$ 17,838	\$ 140,058	\$ 1,739,000
State grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	19	-	-	-	-	-	-	89	-	-	108
Local funds applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>7,562</u>	<u>3,224</u>	<u>192,707</u>	<u>338,645</u>	<u>46,112</u>	<u>39,130</u>	<u>9,081</u>	<u>282,726</u>	<u>36,729</u>	<u>363,027</u>	<u>262,269</u>	<u>17,838</u>	<u>140,058</u>	<u>1,739,108</u>
Expenditures														
Salaries	3,135	1,583	-	45,168	4,722	13,818	-	25,201	-	84,410	65,699	-	27,202	270,938
Fringe benefits	2,626	1,116	-	32,419	3,091	10,270	-	20,621	-	66,877	54,226	-	21,478	212,724
Travel	-	-	-	2,970	214	398	-	787	-	7,140	2,616	-	336	14,461
Subgrantees	658	-	192,707	237,512	36,466	9,262	9,081	224,248	36,729	163,790	107,084	17,838	78,003	1,113,378
Other costs	-	-	-	5,541	141	688	-	2,491	-	9,930	7,315	-	3,150	29,256
Total direct cost	<u>6,419</u>	<u>2,699</u>	<u>192,707</u>	<u>323,610</u>	<u>44,634</u>	<u>34,436</u>	<u>9,081</u>	<u>273,348</u>	<u>36,729</u>	<u>332,147</u>	<u>236,940</u>	<u>17,838</u>	<u>130,169</u>	<u>1,640,757</u>
Shared costs	<u>1,143</u>	<u>525</u>	<u>-</u>	<u>15,035</u>	<u>1,478</u>	<u>4,694</u>	<u>-</u>	<u>9,378</u>	<u>-</u>	<u>30,880</u>	<u>25,329</u>	<u>-</u>	<u>9,889</u>	<u>98,351</u>
Total expenditures	<u>7,562</u>	<u>3,224</u>	<u>192,707</u>	<u>338,645</u>	<u>46,112</u>	<u>39,130</u>	<u>9,081</u>	<u>282,726</u>	<u>36,729</u>	<u>363,027</u>	<u>262,269</u>	<u>17,838</u>	<u>140,058</u>	<u>1,739,108</u>
Revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AGRICULTURE SERVICES
for the year ended June 30, 2015**

	Mason County CAIP	Bracken County CAIP	Total
Revenues			
Federal grant	\$ -	\$ -	\$ -
State grant	202,974	284,056	487,030
Local	-	-	-
Other	-	-	-
Interest on advance	-	-	-
Program income	-	-	-
Local funds applied	-	-	-
	<u>202,974</u>	<u>284,056</u>	<u>487,030</u>
Total revenues	<u>202,974</u>	<u>284,056</u>	<u>487,030</u>
Expenditures			
Salaries	5,177	5,747	10,924
Fringe benefits	3,822	4,394	8,216
Travel	34	131	165
Subgrantees	-	-	-
Other costs	192,109	271,719	463,828
	<u>201,142</u>	<u>281,991</u>	<u>483,133</u>
Total direct cost	<u>201,142</u>	<u>281,991</u>	<u>483,133</u>
Shared costs	<u>1,832</u>	<u>2,065</u>	<u>3,897</u>
	<u>202,974</u>	<u>284,056</u>	<u>487,030</u>
Total expenditures	<u>202,974</u>	<u>284,056</u>	<u>487,030</u>
Revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
CONTRACT SERVICES
for the year ended June 30, 2015**

	CCP	Homeland Security	FEMA Mitigation	Road Updates	KYDOT Transportation Planning	Centerline Maintenance	Highway Sign Inventory	Total
Revenues								
Federal grant	\$ 20,377	\$ 33,535	\$ 3,619	\$ 1,562	\$ -	\$ -	\$ 12,184	\$ 71,277
State grant	-	-	-	391	66,961	-	3,046	70,398
Local	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	7,438	1,464	112	9,014
Total revenues	20,377	33,535	3,619	1,953	74,399	1,464	15,342	150,689
Expenditures								
Salaries	3,055	-	1,691	846	28,226	-	7,352	41,170
Fringe benefits	2,486	-	1,316	745	22,670	-	5,383	32,600
Travel	115	-	-	39	278	-	14	446
Subgrantees	-	-	-	-	-	-	-	-
Other costs	13,591	33,535	-	-	11,862	1,464	-	60,452
Total direct cost	19,247	33,535	3,007	1,630	63,036	1,464	12,749	134,668
Shared costs	1,130	-	612	323	11,363	-	2,593	16,021
Total expenditures	20,377	33,535	3,619	1,953	74,399	1,464	15,342	150,689
Revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
SPECIAL SERVICES
for the year ended June 30, 2015

	Housing NHPLP	Housing CDBG Mortgage	EDA RLF	RLF IRP Fund	RLF Maysville Fund	RLF SBA/MLP Micro loans	RLF Agriculture Grants	RBEG	Total
Revenues									
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	1,193	-	-	-	-	-	-	-	1,193
Local	18,495	3,750	-	-	-	-	-	-	22,245
Other	-	4,025	67,014	12,591	5,315	1,061	28,738	7,936	126,680
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Local funds applied	-	251	735	-	-	-	-	-	986
Total revenues	19,688	8,026	67,749	12,591	5,315	1,061	28,738	7,936	151,104
Expenditures									
Salaries	5,967	2,023	9,918	1,226	1,302	-	4,850	1,011	26,297
Fringe benefits	4,720	1,533	7,778	901	1,032	-	3,944	754	20,662
Travel	165	89	109	-	-	-	53	-	416
Subgrantees	-	-	-	-	-	-	-	-	-
Other costs	2,536	3,657	46,342	2,672	21	-	15,133	100	70,461
Total direct cost	13,388	7,302	64,147	4,799	2,355	-	23,980	1,865	117,836
Shared costs	2,175	724	3,602	433	475	-	1,790	359	9,558
Total expenditures	15,563	8,026	67,749	5,232	2,830	-	25,770	2,224	127,394
Revenue over expenditures	\$ 4,125	\$ -	\$ -	\$ 7,359	\$ 2,485	\$ 1,061	\$ 2,968	\$ 5,712	\$ 23,710

BUFFALO TRACE AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
LOCAL CONTRACTS
for the year ended June 30, 2015

	KIA Grants	KIA Regional Water	Vanceburg Mapping	Various CDBG	Various County GPS	Various County E911	Various County Planning	SOAR Initiative	Other Performance Contracts	Total
Revenues										
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	14,193	61,986	-	-	-	-	-	2,018	-	78,197
Local	-	-	-	-	-	-	-	-	-	-
Other	29,968	-	1,037	43,720	157	50,707	318	-	53,352	179,259
Interest on advance	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	3,691	3,691
Total revenues	44,161	61,986	1,037	43,720	157	50,707	318	2,018	57,043	261,147
Expenditures										
Salaries	16,133	25,235	472	20,312	67	17,414	131	798	25,720	106,282
Fringe benefits	12,295	20,115	380	15,910	63	13,389	107	567	19,998	82,824
Travel	1,897	2,261	10	112	-	966	32	375	165	5,818
Subgrantees	-	-	-	-	-	-	-	-	-	-
Other costs	1,814	5,142	-	15	-	12,548	-	-	919	20,438
Total direct cost	32,139	52,753	862	36,349	130	44,317	270	1,740	46,802	215,362
Shared costs	12,022	9,233	175	7,371	27	6,390	48	278	9,306	44,850
Total expenditures	44,161	61,986	1,037	43,720	157	50,707	318	2,018	56,108	260,212
Revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 935	\$ 935

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
SUPPLEMENTAL STATEMENT OF OPERATIONS
WORKFORCE INVESTMENT ACT
for the year ended June 30, 2015**

Grant number	WIA 27215-11	WIA 2705-12	WIA 205BE13-13	WIA 27315-14	WIA 27115-15	WIA 258GO15-16	WIA 205BE12-91	WIA 27414-92	WIA 27214-93	WIA 27114-95	WIA 27314-96	WIA 258DW13-97	WIA 274SR15-98	WIA Total
Revenues														
Federal grant	\$ 7,562	\$ 3,224	\$ 192,707	\$ 338,626	\$ 46,112	\$ 39,130	\$ 9,081	\$ 282,726	\$ 36,729	\$ 363,027	\$ 262,180	\$ 17,838	\$ 140,058	\$ 1,739,000
State grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	19	-	-	-	-	-	-	89	-	-	108
Local funds applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	7,562	3,224	192,707	338,645	46,112	39,130	9,081	282,726	36,729	363,027	262,269	17,838	140,058	1,739,108
Expenditures														
7300 Administration	6,904	3,224	-	20,460	89	-	-	-	-	4,198	40,323	-	43,066	118,264
7301 Administration - Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7310 Adult Transfer	-	-	-	279,175	-	-	-	-	-	61,003	172,069	-	-	512,247
7311 Adult Core	-	-	-	13,114	-	-	-	-	-	-	15,193	-	-	28,307
7312 Adult Case Management	-	-	-	25,896	-	-	-	-	-	3,997	34,684	-	-	64,577
7320 Youth In	-	-	-	-	-	-	-	49,938	-	-	-	-	24,994	74,932
7330 Youth Out	-	-	-	-	-	-	-	232,788	-	-	-	-	61,622	294,410
7380 Dislocated Worker	658	-	-	-	34,313	-	-	-	26,969	184,949	-	-	-	246,889
7381 Dislocated Worker Core	-	-	-	-	410	-	-	-	2,939	9,323	-	-	-	12,672
7382 Dislocated Worker CM	-	-	-	-	9,097	-	-	-	6,821	54,833	-	-	-	70,751
7390 RR	-	-	-	-	-	-	-	-	-	5,486	-	-	-	5,486
7500 PY 10 LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7510 SR 1 Stop Cert	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7520 Youth out of School	-	-	-	-	-	-	-	-	-	-	-	-	3,669	3,669
7530 SR Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7540 WIOA Trans	-	-	-	-	-	-	-	-	-	-	-	-	6,707	6,707
7580 Trade Training	-	-	192,707	-	-	-	9,081	-	-	-	-	-	-	201,788
7592 Trade Case Management	-	-	-	-	-	-	-	-	-	24,309	-	-	-	24,309
7620 DW Case management	-	-	-	-	1,850	-	-	-	-	9,887	-	-	-	11,737
7621 DW Trade Core	-	-	-	-	112	-	-	-	-	1,913	-	-	-	2,025
7622 DW Trade CM	-	-	-	-	241	-	-	-	-	3,129	-	-	-	3,370
7880 I-Train Contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7890 I-Train	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7900 Kings Daughters Admin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7910 DW Funds for RR Activities	-	-	-	-	-	-	-	-	-	-	-	17,838	-	17,838
7921 KCCGO	-	-	-	-	-	35,490	-	-	-	-	-	-	-	35,490
7922 KCCFO Admin	-	-	-	-	-	3,640	-	-	-	-	-	-	-	3,640
Total direct and shared cost	7,562	3,224	192,707	338,645	46,112	39,130	9,081	282,726	36,729	363,027	262,269	17,838	140,058	1,739,108
Revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Buffalo Trace Area Development District
Maysville, 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 Buffalo Trace Area Development District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RFH

RFH, PLLC
November 13, 2015



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

To the Board of Directors
Buffalo Trace Area Development District
Maysville, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

RFH

RFH, PLLC
November 13, 2015

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

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
U.S. Department of Commerce				
1. Appalachian Regional Commission (ARC)				
Direct award				
JFA-ARC Planning	23.009	KY-0702A-C44	01/01/14-12/31/14	\$ 20,291
JFA-ARC Planning	23.009	KY-702-A-C45-15	01/01/15-12/31/15	<u>23,806</u>
Total ARC				<u>44,097</u>
2. Economic Development Administration				
Passed through State (DLG) (note 1)				
JFA-Community and Economic Assistance	11.302	N/A	07/01/14-06/30/15	68,700
3. Economic Development Administration				
Revolving Loan Program (note 2)				
	11.307	04-39-02063-01	Perpetual	<u>1,611,006</u>
Total EDA				<u>1,679,706</u>
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG)				
JFA- CDBG	14.218	N/A	07/01/14-06/30/15	<u>13,500</u>
U.S. Department of Agriculture - Rural Development				
Direct Grant				
Rural Business Enterprise Grant (Revolving Loan)	10.769	554284952	Perpetual	<u>19,439</u>
U.S. Department of Health and Human Services (HHS)				
Passed through State (CFHS) (note 3)				
Title III B Support Services	93.044	PON2 725 1400001066 3	07/01/14-06/30/15	109,964
Title III B Ombudsman	93.044	PON2 725 1400001066 4	07/01/14-06/30/15	22,635
Title III C1 Congregate Meals	93.045	PON2 725 1400001066 3	07/01/14-06/30/15	115,077
Title III C2 Home Delivered Meals	93.045	PON2 725 1400001066 3	07/01/14-06/30/15	72,071
NISP	93.053	PON2 725 1400001074 1	07/01/14-09/30/15	<u>36,557</u>
Aging cluster				356,304
Title VII Elder Abuse	93.041	PON2 725 1400001073 2	07/01/14-06/30/15	1,164
Title VII Ombudsman	93.042	PON2 725 1400001073 2	07/01/14-06/30/15	2,020
Title III D Health Promotion	93.043	PON2 725 1400001066 3	07/01/14-06/30/15	4,774
Title III E Caregiver	93.052	PON2 725 1400001066 3	07/01/14-06/30/15	32,958
FAST	93.069	PON2 725 1400001163 1	07/01/14-06/30/15	966
MIPPA AAA	93.071	PON2 725 1400001168 2	07/01/14-06/30/15	17,188
MIPPA ADRC	93.071	PON2 725 1400001168 2	07/01/14-06/30/15	4,916
Community Collaboration for Children	93.590	PON2 736 1400002326 1	07/01/14-06/30/16	105,920
CDSME	93.725	PON2 725 1400001162 2	07/01/14-06/30/15	3,720
ADRC	93.778	PON2 725 1400001160 4	07/01/14-06/30/15	8,265
CMS SHIP	93.779	PON2 725 1400001161 3	07/01/14-06/30/16	10,093
Health Benefits Exchange	93.945	PON2 725 1400001167 1	07/01/14-06/30/15	16,060
IAO	93.945	PON2 725 1400001164 3	07/01/14-09/30/15	<u>2,375</u>
Total HHS				<u>566,723</u>
Subtotal federal awards				<u>\$ 2,323,465</u>

Notes:

- 1) The Joint Funding Administration (JFA) program, which is reported under various federal agencies, is passed through the Commonwealth of Kentucky, Department of Local Government (DLG).
- 2) The EDA-Revolving Loan Program includes a capital balance of \$1,758,716 - 90.97% which is Federal - \$1,599,864, and 90.97% of total administrative expenditures totaling \$26,214.
- 3) The Health and Human Services programs are passed through from the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Aging and Independent Living (CHFS).

Basis of Presentation

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

**BUFFALO TRACE AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
for the year ended June 30, 2015**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
Subtotal federal awards from previous page				\$ <u>2,323,465</u>
U.S. Department of Labor (DOL)				
Passed through State (ECDWI) (note 4)				
WIA Adult Programs	17.258	PON2 531 1400002842 1	7/1/14-6/30/16	604,030
WIA Youth Activities	17.259	PON2 531 1400002842 1	7/1/14-6/30/16	422,784
WIA Dislocated Worker	17.278	PON2 531 1400002842 1	7/1/14-6/30/16	453,430
WIA Cluster				<u>1,480,244</u>
WIA Trade Training	17.245	PON2 531 1400002842 1	7/1/14-6/30/16	201,788
WIA	17.277	PON2 531 1400002842 1	7/1/14-6/30/16	56,968
Total DOL				<u>1,739,000</u>
U.S. Federal Highway Administration (FHWA)				
Passed through State (KTC) (note 5)				
Centerline Maintenance	20.205	PO2 625 1500002411	07/01/14-06/30/15	1,562
Sign Inventory	20.205	PO2 625 14000055941	07/01/14-06/30/15	12,184
Total FHWA				<u>13,746</u>
U.S. Department of Homeland Security (DHS)				
Passed through the State (note 6) (note 7)				
(KOHS) Citizens Corps Strategic Planning	97.067	PO2 094 1500004255 1	05/01/15-04/01/16	20,377
(KOHS) Community preparedness grant	97.067	PO2 094 1200002812 2	3/15/12-12/31/12	33,535
(KDEM) FEMA Hazard Mitigation	97.039	HMGP DR-4057-0005	4/9/13-4/9/16	3,619
Total DHS				<u>57,531</u>
Total federal awards				4,133,742
Less: RBEG revenue received in the prior year but disbursed this year				(19,439)
Less: Revolving loan programs that do not reflect current year activity				<u>(1,611,006)</u>
Total federal awards reported in the financial statements				<u>\$ 2,503,297</u>

Notes:

- 4) The Department of Labor programs are passed through from the Commonwealth of Kentucky, Education Cabinet, Department of Workforce Investment (ECDWI).
- 5) The Federal Highway Administration programs are passed through from the Commonwealth of Kentucky, Kentucky Transportation Cabinet (KTC).
- 6) The Federal Emergency Management Agency (part of DHS) programs are passed through from the Commonwealth of Kentucky, Kentucky Division of Emergency Management (KDEM).
- 7) The U.S. Department of Homeland Security programs are passed through the State under the Kentucky Office of Homeland Security (KOHS).
- 8) Unearned revenue from other grantors both current and prior are disclosed in Note 8 to the financial statements.

Basis of Presentation

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

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

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes XNo

Significant deficiencies identified that are not
considered to be material weaknesses Yes XNone reported

Non-compliance material to financial statements noted Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes XNo

Significant deficiencies identified that are not
considered to be material weaknesses Yes XNone reported

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

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of Circular A-133? Yes XNo

Major Programs:

CFDA Number	Name of Federal Program or Cluster
11.307	EDA Revolving Loan Fund
17.258, 17.259, 17.278	DOL Workforce Investment Act, Cluster
93.044, 93.045, 93.053	HHS Aging and Nutrition Services, Cluster

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

Auditee qualified as a low-risk auditee? XYes No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE