

***PENNYRILE AREA DEVELOPMENT  
DISTRICT***

***FINANCIAL AND COMPLIANCE AUDIT***

***June 30, 2013***

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

**FINANCIAL AND COMPLIANCE AUDIT**

**JUNE 30, 2013**

## TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	
Pennyrile Area Development District	1
West Kentucky Workforce Investment Board	2
Pennyrile Housing Corporation	3
Pennyrile Development and Governmental Center	4
Independent Auditor's Report	5
Management's Discussion and Analysis	8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	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
Supplementary Information	
Schedule of Expenditures of Federal Awards	34
Notes to the Schedule of Expenditures of Federal Awards	36
Statement of Net Position - Between the Rivers Duplex	38
Statement of Revenues, Expenses and Changes in Net Position - Between the Rivers Duplex	39
Statement of Revenues and Expenditures by Program - Statutory Basis	40
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>	47
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	49
Schedule of Findings and Questioned Costs	51

**PENNYRILE AREA DEVELOPMENT DISTRICT  
BOARD OF DIRECTORS**

June 30, 2013

Officers

Mayor Gale Cherry, Chair  
Judge Rick Newman, Vice Chair  
Judge Donnie Carroll - Treasurer  
Lori Harper, Secretary  
Chris Sutton, Executive Director

Caldwell County

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

Christian County

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

Crittenden County

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

Hopkins County

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

Livingston County

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

Lyon County

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

Muhlenberg County

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

Todd County

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

Trigg County

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

**WEST KENTUCKY WORKFORCE INVESTMENT BOARD  
BOARD OF DIRECTORS**

June 30, 2013

Officers

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

Chief Elected Officials

Van Newberry, Purchase  
Gale Cherry, Pennyrile

Partners Agencies

*Education Partners*

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

*Economic Development Partners*

Mark Manning, Purchase  
Dan Bozarth, Pennyrile

*One-Stop Partners*

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

*Community Based Organization Partners*

Leigh Ann Jarvis, Purchase  
Vacant, Pennyrile

*Community Based Services Partners*

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

Business Representatives

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

*Labor Partners*

Jim H. Key, Purchase  
Bruce Taylor, Pennyrile

**PENNYRILE HOUSING CORPORATION  
BOARD OF DIRECTORS**

June 30, 2013

Officers

Frank Stafford, Chair

Ed Slack, Vice Chair

Beth Shemwell, Secretary

Caldwell County

Gale Cherry, Mayor of Princeton

Sandra Morse, Director

Christian County

Shirley Carter, Director

Gertrude Bullock, Director

Tom Wallace, Director

Crittenden County

Todd Perryman, Director

Darrin Tabor, Director

Hopkins County

Heath Duncan, Director

Frank Stafford, Mayor of Mortons Gap

Thomas Sams, Director

Livingston County

Randell O'Bryan, Director

Chris Lasher, Judge / Executive

Lyon County

Lilburn Ann Denney, Director

Gerald Board, Director

Muhlenberg County

Bob Baker, Director

Gary Jones, Director

Todd County

Beth Shemwell, Director

Ed Slack, Director

Trigg County

Hollis Alexander, Judge / Executive

**PENNYRILE DEVELOPMENT AND GOVERNMENTAL CENTER  
BOARD OF DIRECTORS**

June 30, 2013

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



**CALHOUN & COMPANY, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**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 the Pennyriple Area Development District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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



To the Board of Directors  
Pennyrile Area Development District  
January 8, 2014  
Page 2 of 3

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Pennyrile Area Development District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennyrile Area Development District's basic financial statements. The Statement of Net Assets – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Assets – Between the Rivers Duplex, the Statement of Activities by Program – Statutory Basis and the individual grant supplemental statements and schedules on pages 34 – 46 are presented for purposes of additional analysis as required by the grantors and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

To the Board of Directors  
Pennyrile Area Development District  
January 8, 2014  
Page 3 of 3

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, on our consideration of the Pennyrile Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennyrile Area Development District's internal control over financial reporting and compliance.

Hopkinsville, Kentucky  
January 8, 2014

A handwritten signature in cursive script that reads "Calhoun & Company". The signature is written in black ink and is positioned to the right of the date and location text.



# Pennyryle Area Development District

a regional planning and development agency

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## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

The Pennyryle 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, 2013. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statements provided in this report.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$3,113,529 at June 30, 2013.
- The District's total net position increased by \$46,572 during the year.
- The Fund Balance, a measure of current financial resources, decreased in the governmental funds by \$132,645 to a fund balance of \$2,912,160 at June 30, 2013. 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 - \$40,568
  - Aging Programs - \$237

### 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 and liabilities with the difference reported as net position. Monitoring increases and / or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving, deteriorating, or stagnating.

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

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

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

### Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 – 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 at pages 19 – 33 of this report.

### Supplementary Information

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

Supplementary information that is not a required part of the basic financial statements can be found on pages 34 – 46 of this report.

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

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$3,113,529 at June 30, 2013. The District's Invested in Capital Assets, Net of Related Debt reflects its investment in capital assets less outstanding related debt used to acquire those assets. These assets are not available for future spending. Although the District's capital investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

### Pennyrile Area Development District Net Position

	<u>Governmental Activities</u>		<u>Component Unit Activities</u>		<u>Total</u>	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
<b>Assets</b>						
Current and Other Assets	\$ 4,564,394	\$ 5,251,407	\$ 856,488	\$ 699,543	\$ 5,420,882	\$ 5,950,950
Capital Assets	986,837	911,662	511,056	485,239	1,497,893	1,396,901
Total Assets	<u>5,551,231</u>	<u>6,163,069</u>	<u>1,367,544</u>	<u>1,184,782</u>	<u>6,918,775</u>	<u>7,347,851</u>
<b>Liabilities</b>						
Current and Other Liabilities	644,428	1,275,723	516,800	398,772	1,161,228	1,674,495
Long-Term Liabilities	1,856,433	1,767,040	834,154	792,786	2,690,587	2,559,826
Total Liabilities	<u>2,500,861</u>	<u>3,042,763</u>	<u>1,350,954</u>	<u>1,191,558</u>	<u>3,851,815</u>	<u>4,234,321</u>
<b>Net Position</b>						
Invested in Capital Assets, Net of Related Debt	368,714	305,761	(41,322)	(49,443)	327,392	256,318
Restricted:						
Revolving Loan Fund	190,000	190,000	-	-	190,000	190,000
Intermediary Relending Program	554,354	545,522	-	-	554,354	545,522
Mini Loan Fund	25,000	25,000	-	-	25,000	25,000
Unrestricted	<u>1,912,302</u>	<u>2,054,023</u>	<u>57,912</u>	<u>42,667</u>	<u>1,970,214</u>	<u>2,096,690</u>
Total Net Position	<u>\$ 3,050,370</u>	<u>\$ 3,120,306</u>	<u>\$ 16,590</u>	<u>\$ (6,776)</u>	<u>\$ 3,066,960</u>	<u>\$ 3,113,530</u>

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

### Pennyrile Area Development District Changes in Net Assets

	<u>Governmental Activities</u>		<u>Component Unit Activities</u>	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Services	\$ 461,966	\$ 455,217	\$ 54,423	\$ 46,063
Operating Grants and Contributions	4,438,437	6,062,792	6,617,570	6,288,737
Capital Grants and Contributions	-	-	-	-
<b>General Revenues</b>				
Annual Assessments	66,482	65,925	-	-
Interest Earned	17,142	12,562	801	680
Other Revenues	10,172	11,310	327,710	63,400
<b>Total Revenues</b>	<u>4,994,199</u>	<u>6,607,806</u>	<u>7,000,504</u>	<u>6,398,880</u>

	<u>Governmental Activities</u>		<u>Component Unit Activities</u>	
	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
<b>Expenses</b>				
General Government	30,413	24,722	-	-
Community / Economic Development	772,891	926,450	-	-
Transportation Services	101,732	106,494	-	-
Aging Services	3,913,363	5,382,238	-	-
Revolving Loan Fund	10,152	10,776	-	-
Intermediary Relending Program	17,588	13,869	-	-
Mini Loan Fund	21,278	-	-	-
Pennyrile Development & Gov't Center	44,045	47,020	-	-
Pennyrile Housing Corporation	-	-	463,827	247,427
Workforce Investment Board	-	-	6,526,683	6,159,919
Interest on Long-Term Debt	31,471	26,301	14,460	14,900
<b>Total Expenses</b>	<u>4,942,933</u>	<u>6,537,870</u>	<u>7,004,970</u>	<u>6,422,246</u>
Change in Net Position	51,265	69,936	(4,466)	(23,366)
Net Position - Beginning	2,999,100	3,050,370	21,056	16,590
Net Position Adjustment	5	-	-	-
<b>Net Position - Ending</b>	<u>\$ 3,050,370</u>	<u>\$ 3,120,306</u>	<u>\$ 16,590</u>	<u>\$ (6,776)</u>

Changes in Net Position – Governmental Activities. The District’s governmental activities increased net position by \$69,936 in the fiscal year 2013. Key elements of the increase are as follows:

Total revenues were \$6,607,806, an increase of 32% over the prior year. Of this, program revenues represent 99% of total revenues. Major sources of program revenues include various community support funding and grants. General revenues represent 1% of total revenues. Major sources of general revenues include annual assessments and interest income.

Total expenditures were \$6,537,870, an increase of 32% from the previous year. Of this, the major functions include aging services and community and economic development services. Together they comprise 96% of the total program expenditures.

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

1. The PHC’s total revenues were \$241,232, a decrease of 49% from the prior year. Of this, program revenues represent over 73% of total revenues. Charges for services and operating grants and contributions are the major sources of program revenue. General revenues represent 27% of the total revenues. Sale of homes is the major source of general revenues.

Expenditures totaled \$262,327 a decrease of 43% from the previous year.

2. The WKWIB’s total revenues were \$6,157,648, a decrease of 6% from the prior year. The WKWIB did not have any general revenues during the 2013 or 2012 fiscal years.

Expenditures totaled \$6,159,919, a decrease of 6% from the previous year.

## CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2013 is \$1,396,901 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

	<u>Governmental Activities</u>		<u>Component Unit Activities</u>		<u>Total</u>	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Land	\$ 9,988	\$ 9,988	\$ -	\$ -	\$ 9,988	\$ 9,988
Buildings and Improvements	1,345,393	1,345,393	647,518	647,518	1,992,911	1,992,911
Office Furniture and Equipment	204,465	204,465	25,506	25,506	229,971	229,971
Computers and Equipment	181,565	181,565	233,889	233,889	415,454	415,454
Vehicles	98,300	98,300	-	-	98,300	98,300
Construction in Progress	-	-	13,748	13,748	13,748	13,748
	<u>1,839,711</u>	<u>1,839,711</u>	<u>920,661</u>	<u>920,661</u>	<u>2,760,372</u>	<u>2,760,372</u>
Less Accumulated Depreciation	(852,874)	(928,049)	(409,605)	(435,422)	(1,262,479)	(1,363,471)
Total Net Capital Assets	<u>\$ 986,837</u>	<u>\$ 911,662</u>	<u>\$ 511,056</u>	<u>\$ 485,239</u>	<u>\$ 1,497,893</u>	<u>\$ 1,396,901</u>

Additional information on the District's capital assets can be found in Note 3 of this report.

## LONG TERM DEBT

At year-end, the District had \$1,632,346 in outstanding notes and program debt, compared to \$1,718,391 at June 30, 2012. The PHC had \$792,786 in outstanding notes and program debt, compared to \$834,153 at June 30, 2012.

The Pennyrile Development and Governmental Center had \$605,901 in outstanding notes at June 30, 2013 compared to \$618,122 at June 30, 2012.

During the year, \$12,221 was paid to reduce the debt outstanding related to the building addition, \$73,823 was paid to reduce re-lending program debts, and \$17,696 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 \$23,671. 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, 2013.

Additional information on the District's long-term debt can be found in Note 4 of this report.

## ECONOMIC FACTORS

During the 2013 fiscal year, the District completed its 44th year of providing leadership on regional issues. The District is actively involved and partnering with other agencies to provide regional planning, review and technical services in areas of public administration, social services, economic and workforce development and transportation to the local Pennyrile communities in Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd and Trigg counties.

The Federal Program funding reductions are anticipated to have a negative impact on the District's funding level. Congressional actions to address long-term deficit reduction will undoubtedly affect the District's funding as some of the programs operated by the District are considered domestic non-military funds categories and may be easy targets for federal reductions in the upcoming budget discussions. The District's management is aware of this vulnerability and is making every effort to minimize any negative impact future operations. In addition, the

District is engaged at the state level budget discussions in order to monitor potential shortfalls in state budget funding as well.

The West Kentucky Workforce Investment Board's allocation funding is partially based on the employment/economic status of the Pennyriple 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 Pennyriple Area Development District for all those with an interest in the finances. Questions or requests for additional information may be addressed to Chris Sutton, Executive Director, Pennyriple Area Development District or Sheila Clark, Director, West Kentucky Workforce Investment Board, 300 Hammond Drive, Hopkinsville, Kentucky, 42240.

Respectfully Submitted,



Chris Sutton, Executive Director



**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Pennyrile Housing Corporation</u>	<u>Workforce Investment Board</u>
<b>Assets</b>			
Unrestricted Cash and Cash Equivalents	\$ 2,000,527	\$ 287,403	\$ 121,157
Program Receivables	1,168,662	8,477	405,685
Due (to) from Other Governments	191,353	(47,550)	(143,803)
Other Current Assets	5,510	-	-
Non-Current Assets			
Certificates of Deposit	821,830	-	-
Notes Receivable, Due Within One Year	139,700	8,878	-
Notes Receivable, Due in More Than One Year	923,825	59,296	-
Depreciable Capital Assets, Net	901,674	470,923	568
Non-Depreciable Capital Assets	9,988	13,748	-
<b>Total Assets</b>	<u>6,163,069</u>	<u>801,175</u>	<u>383,607</u>
<b>Liabilities</b>			
Accounts Payable	613,539	6,096	390,146
Grants Payable	88,762	-	-
Other Current Liabilities	573,422	9,637	(7,107)
Non-Current Liabilities			
Accrued Annual Leave	134,694	-	-
Due Within One Year	87,459	41,316	-
Due in More Than One Year	1,544,887	751,470	-
<b>Total Liabilities</b>	<u>3,042,763</u>	<u>808,519</u>	<u>383,039</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	305,761	(50,011)	568
Restricted:			
Revolving Loan Fund	190,000	-	-
Intermediary Relending Program	545,522	-	-
Mini Loan Fund	25,000	-	-
Unrestricted	2,054,023	42,667	-
<b>Total Net Position</b>	<u>\$ 3,120,306</u>	<u>\$ (7,344)</u>	<u>\$ 568</u>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Functions / Programs</b>	<b>Program Revenues</b>					<b>Net (Expense) Revenue and Changes in Net Assets</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 Government	\$ 23,816	\$ 906	\$ 6,576	\$ (30,465)	\$ -	\$ (48,611)	\$ -
Community / Economic Development	741,672	184,778	349,165	604,542	-	27,257	-
Transportation Services	79,193	27,301	-	106,494	-	-	-
Aging Services	5,173,031	209,207	36	5,382,221	-	19	-
Revolving Loan Fund	8,631	2,145	11,705	-	-	929	-
Intermediary Relending Program	10,755	3,114	28,953	-	-	15,084	-
Mini Loan Fund	-	-	1,367	-	-	1,367	-
Pennyrile Development & Gov't Center	47,020	-	57,415	-	-	10,395	-
Interest on Long-Term Debt	26,301	-	-	-	-	(26,301)	-
Total Governmental Activities	6,110,419	427,451	455,217	6,062,792	-	(19,861)	-
<b>Total Primary Government</b>	<b>\$ 6,110,419</b>	<b>\$ 427,451</b>	<b>\$ 455,217</b>	<b>\$ 6,062,792</b>	<b>\$ -</b>	<b>(19,861)</b>	<b>-</b>
<b>Component Units</b>							
Pennyrile Housing Corporation	\$ 219,758	\$ 27,669	\$ 41,958	\$ 135,194	\$ -	-	(70,275)
Workforce Investment Board	5,789,280	370,639	4,105	6,153,543	-	-	(2,271)
Interest on Long-Term Debt	14,900	-	-	-	-	-	(14,900)
<b>Total Component Units</b>	<b>\$ 6,023,938</b>	<b>\$ 398,308</b>	<b>\$ 46,063</b>	<b>\$ 6,288,737</b>	<b>\$ -</b>	<b>-</b>	<b>(87,446)</b>
				<b>General Revenues</b>			
						65,925	-
						12,562	680
						11,310	63,400
						89,797	64,080
						69,936	(23,366)
						3,050,370	16,590
						<b>\$ 3,120,306</b>	<b>\$ (6,776)</b>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<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	\$ 466,144	\$ 1,519,664	\$ 14,719	\$ 2,000,527
Certificates of Deposit	799,508	-	22,322	821,830
Program Receivables	367,371	801,291	-	1,168,662
Due from Other Governments	346,923	-	-	346,923
Other Current Assets	3,479	2,020	11	5,510
<b>Total Assets</b>	<u>1,983,425</u>	<u>2,322,975</u>	<u>37,052</u>	<u>4,343,452</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	40,276	572,026	1,237	613,539
Grants Payable	-	88,762	-	88,762
Due to Other Governments	-	-	155,570	155,570
Other Current Liabilities	1,725	571,697	-	573,422
<b>Total Liabilities</b>	<u>42,001</u>	<u>1,232,485</u>	<u>156,807</u>	<u>1,431,293</u>
<b>Fund Balances</b>				
<b>Nonspendable:</b>				
Long-term Notes Receivable	-	1,063,525	-	1,063,525
<b>Restricted:</b>				
Revolving Loan Fund	-	190,000	-	190,000
Intermediary Relending Program	-	545,522	-	545,522
Mini Loan Fund	-	25,000	-	25,000
<b>Assigned:</b>				
Accrued Annual Leave	134,694	-	-	134,694
Long-term Debt	-	1,026,445	605,901	1,632,346
Unassigned	1,806,730	(1,760,002)	(725,656)	(678,928)
<b>Total Fund Balances</b>	<u>1,941,424</u>	<u>1,090,490</u>	<u>(119,755)</u>	<u>2,912,159</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,983,425</u>	<u>\$ 2,322,975</u>	<u>\$ 37,052</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds.	1,063,525
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. More specifically, non-depreciable & depreciable capital assets as reported on the Statement of Net Position.	911,662
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,767,040)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 3,120,306</u>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ 355,741	\$ 42,061	\$ -	\$ 397,802
Rent	-	-	57,415	57,415
Grants	-	6,045,937	-	6,045,937
Local Revenue	-	16,855	-	16,855
Annual Assessments	65,925	-	-	65,925
Interest Income	5,450	6,854	258	12,562
Other Revenues	11,310	-	-	11,310
<b>Total Revenues</b>	<u>438,426</u>	<u>6,111,707</u>	<u>57,673</u>	<u>6,607,806</u>
<b>Expenditures</b>				
Current				
General Government	24,660	-	5,653	30,313
Community / Economic Development	324,176	598,091	-	922,267
Transportation Services	-	105,977	-	105,977
Aging Services	-	5,377,843	-	5,377,843
Revolving Loan Fund	-	10,720	-	10,720
Intermediary Relending Program	-	13,785	-	13,785
Mini Loan Fund	-	-	-	-
Debt Service				
Principal	-	73,823	12,221	86,044
Interest and Other Charges	-	10,921	15,380	26,301
<b>Total Expenditures</b>	<u>348,836</u>	<u>6,191,160</u>	<u>33,254</u>	<u>6,573,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,590</u>	<u>(79,453)</u>	<u>24,419</u>	<u>34,556</u>
<b>Other Financing Sources (Uses)</b>				
Payments on Notes Receivable	-	293,408	-	293,408
Issuance of Loan	-	(481,500)	-	(481,500)
Transfers	(54,234)	54,234	-	-
Total Other Financing Sources (Uses)	<u>(54,234)</u>	<u>(133,858)</u>	<u>-</u>	<u>(188,092)</u>
Net Change in Fund Balances	35,356	(213,311)	24,419	(153,536)
Fund Balances - Beginning	1,885,178	1,303,801	(144,174)	3,044,805
Transfers	20,890	-	-	20,890
<b>Fund Balances - Ending</b>	<u>\$ 1,941,424</u>	<u>\$ 1,090,490</u>	<u>\$ (119,755)</u>	<u>\$ 2,912,159</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 FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (153,536)

Amounts reported for governmental 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 Loan Issued	\$ 481,500	
Less: Payments Received	293,408	
	<u>\$ 188,092</u>	188,092

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

Statement of Revenues, Expenditures, and Changes in Fund Balances		
Governmental Funds		
Fixed Assets Purchased	\$ -	
Less: Depreciation	51,383	
To Reconciliation	<u>\$ (51,383)</u>	(51,383)

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	86,044	
Net Debt Service	<u>\$ 86,044</u>	86,044

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

	<u>719</u>
Change in Net Position of Governmental Activities	<u>\$ 69,936</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**1. 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. County Judge / Executive and at least one mayor and a citizen director from each of the nine counties serve on the Board.

In evaluating the District as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the District may be financially accountable, and as such, should be included in the District's financial statements. The District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) is able to impose its will on the organization or 2) there is a potential for the organization to provide specific burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The District has both discretely presented and 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.

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.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2013**

**2. 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. 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.

**b. Basis of Accounting / 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.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each program of the governmental activities and component units. Program revenues include charges paid by the recipients for the goods or services offered by the programs, and grants and contributions, which are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

The District classifies net position in the government-wide financial statements as follows:

- Invested in Capital Assets, Net of Related Debt – includes the District’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

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

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

**i. Government-Wide Financial Statements, Continued**

- Restricted Net Position – includes assets that have a third-party (statutory or granting agency) limitation on their use. The District uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District has restricted net assets in the Revolving Loan Fund, Intermediary Relending Program and Mini Loan Fund in the amounts of \$190,000, \$545,522 and \$25,000, respectively.
- Unrestricted Net Position – typically includes unrestricted liquid assets. The Board of Directors has the authority to revisit or alter this designation.

**ii. Fund Financial Statements**

Fund financial statements report detailed information about the District. 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. This District has neither nonmajor funds nor fiduciary funds.

**d. Governmental Funds**

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**i. Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within two months of year-end and available to pay obligations of the current period): special assessments, charges for services, intergovernmental revenues, grants and investment income. Other governmental revenues, including certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

**ii. Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. Accrued vacation leave is recorded when payable from current financial resources. Allocation of costs, such as depreciation, is not recognized in the governmental funds.



**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

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

**d. Governmental Funds, Continued**

**iii. Governmental Funds**

**a. General Fund**

The General Fund accounts for financial resources in use for general types of operations and all unassigned fund balances are considered as resources available for use. This is a major fund of the District.

**b. Special Revenue Fund**

The Special Revenue Fund accounts 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. This is a major fund of the District.

**c. PDGC**

This fund accounts for the building facilities of the District. This is a major fund of the District.

**iv. Transfers**

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.

**v. Fund Equity**

Restricted fund balances and net position result from reserves created primarily by enabling legislation to preserve resources for future expenditures as required by budgetary regulations. Assigned fund balances consist of the planned use of existing debt service fund balances for future debt service as determined by the District's Board of Directors. The District considers restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Nonspendable fund balances represent resources that cannot be spent because they are not expected to be converted to cash and include notes receivables.

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2013**

**e. 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.

**f. Receivables and Payables**

Short-term amounts owed between funds are classified as "Due (to) from Other Governments". Any residual balances outstanding between the governmental activities and component units are classified as such in the government-wide financial statements.

**g. Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental or component unit activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and estimated useful life in excess of one year. Additions or improvements that significantly add value to an asset or increasing its capacity or efficiency are capitalized. Other costs for repairs and maintenance are expensed as incurred.

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.

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

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

**h. 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.

**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, 2013, these liabilities included \$134,694 in annual leave pay.

**j. Shared Costs**

The District allocates shared costs according to their annual shared cost plan. The plan is calculated according to a monthly salary allocation ratio. The ratio is calculated for each applicable program.

**k. Long-Term Obligations**

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

**l. 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.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

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

**m. Date of Management Review**

In preparing these financial statements, the District has evaluated the events and transactions for potential recognition or disclosure through January 8, 2014 the date the financial statements were available to be issued.

**2. Budgetary Information**

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

**3. Capital Assets**

Capital asset activity of the District for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2013
<b>Governmental Activities</b>				
Land	\$ 9,988	\$ -	\$ -	\$ 9,988
Buildings and Improvements	1,345,393	-	-	1,345,393
Office Furniture and Equipment	204,465	-	-	204,465
Computers and Equipment	181,565	-	-	181,565
Vehicles	98,300	-	-	98,300
Total	1,839,711	-	-	1,839,711
Less Accumulated Depreciation	(852,874)			(928,049)
<b>Total Governmental Activities</b>	<b>\$ 986,837</b>			<b>\$ 911,662</b>

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

**3. Capital Assets, Continued**

A summary of the component units fixed asset transactions for the year ended June 30, 2013, follows:

	<u>Balance June 30, 2012</u>	<u>Additions / Reclassifications</u>	<u>Deletions / Reclassifications</u>	<u>Balance June 30, 2013</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	-	-	13,748
Total	<u>920,661</u>	<u>-</u>	<u>-</u>	<u>920,661</u>
Less Accumulated Depreciation	<u>(409,605)</u>			<u>(435,422)</u>
<b>Total Component Unit Activities</b>	<b><u>\$ 511,056</u></b>			<b><u>\$ 485,239</u></b>

For the year ended June 30, 2013, depreciation on capital assets was charged to the government functions as follows:

General	\$ 23
Community / Economic Development	4,310
Transportation Services	653
Aging Services	4,911
Revolving Loan Fund	48
Intermediary Relending Program	71
Pennyrile Development and Gov't Center	41,367
Workforce Investment Board	10,924
Pennyrile Housing Corporation	<u>24,187</u>
<b>Total Depreciation Expense</b>	<b><u>\$ 86,494</u></b>

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

**4. Long-Term Debt**

The following is a summary of long-term debt transactions for the District for the year ended June 30, 2013:

	Balance July 1, 2012	Transfers, Issues, or Additions	Transfers, Payments, or Expenditures	Balance June 30, 2013
<b>Governmental Activities</b>				
Notes and Leases Payable	\$ 1,718,391	\$ -	\$ 86,045	\$ 1,632,346
Compensated Absences	138,042	115,129	118,477	134,694
<b>Total Governmental Activities</b>	<u>1,856,433</u>	<u>115,129</u>	<u>204,522</u>	<u>1,767,040</u>
<b>Component Unit Activities</b>				
Notes and Leases Payable	834,153	-	41,367	792,786
<b>Total Component Unit Activities</b>	<u>834,153</u>	<u>-</u>	<u>41,367</u>	<u>792,786</u>
<b>Total Long-Term Debt</b>	<u>\$ 2,690,586</u>	<u>\$ 115,129</u>	<u>\$ 245,889</u>	<u>\$ 2,559,826</u>

Long-term debt payable at June 30, 2013, is comprised of the following:

<b>Governmental Activities</b>			
Notes and Leases Payable	Interest Rate	Final Maturity Date	Balance End of Year
USDA	1.00%	2027	\$ 1,026,445
Kentucky Association of Counties	3.86%	2037	605,901
Total Governmental Activities			<u>1,632,346</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

**4. Long-Term Debt, Continued**

<b>Component Units</b>			
Notes and Leases Payable	Interest Rate	Final Maturity Date	Balance End of Year
Kentucky Housing Corporation	1.00%	2017	5,473
Kentucky Housing Corporation	1.00%	2018	6,443
Kentucky Housing Corporation	1.00%	2019	8,841
Kentucky Housing Corporation	1.00%	2019	17,791
Kentucky Housing Corporation	1.00%	2020	15,164
Kentucky Housing Corporation	1.00%	2021	31,644
Kentucky Housing Corporation	1.00%	2022	32,063
Kentucky Housing Corporation	1.00%	2023	35,942
Kentucky Housing Corporation	1.00%	2024	31,497
Kentucky Housing Corporation	1.00%	2025	26,646
Kentucky Housing Corporation	1.00%	2026	7,893
Kentucky Housing Corporation	1.00%	2027	7,067
Kentucky Housing Corporation	1.00%	2031	31,640
Kentucky Housing Corporation	2.00%	2036	534,682
Total Component Units			<u>792,786</u>
Total Long-Term Debt			<u><u>\$ 2,425,132</u></u>

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2013**

**4. Long-Term Debt, Continued**

The annual requirements to retire debt are as follows:

<b>Governmental Activities</b>			
<b>Notes Payable</b>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 74,711	\$ 10,189	\$ 84,900
2015	75,458	9,442	84,900
2016	76,213	8,687	84,900
2017	76,975	7,925	84,900
2018	77,745	7,155	84,900
2019-2023	400,541	23,959	424,500
2024-2028	<u>244,802</u>	<u>4,226</u>	<u>249,028</u>
Total Notes Payable	<u>1,026,445</u>	<u>71,583</u>	<u>1,098,028</u>
<b>Leases Payable</b>			
2014	12,748	25,829	38,577
2015	13,302	25,274	38,576
2016	13,836	24,741	38,577
2017	14,467	24,110	38,577
2018	15,090	23,486	38,576
2019-2023	85,756	107,126	192,882
2024-2028	105,871	87,011	192,882
2029-2033	130,769	62,114	192,883
2034-2038	<u>214,062</u>	<u>26,408</u>	<u>240,470</u>
Total Leases Payable	<u>605,901</u>	<u>406,099</u>	<u>1,012,000</u>
Total Notes and Leases Payable	<u>\$ 1,632,346</u>	<u>\$ 477,682</u>	<u>\$ 2,110,028</u>



**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

**4. Long-Term Debt, Continued**

Year	Component Units Notes Payable		Total
	Principal	Interest	Debt Service
2014	41,316	\$ 13,205	\$ 54,521
2015	41,932	12,642	54,574
2016	42,309	12,057	54,366
2017	42,748	11,414	54,162
2018	43,167	10,799	53,966
2019-2023	201,531	44,518	246,049
2024-2028	151,396	29,676	181,072
2029-2033	134,399	16,300	150,699
2034-2038	93,988	3,339	97,327
Total Notes Payable	792,786	153,950	946,736
Total Governmental and Component Activities	\$ 2,425,132	\$ 631,632	\$ 3,056,764

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

The lease payable is considered to be a capital lease. The lease was to fund the construction of a building addition to the District's facilities. The original purchase price was \$803,027 and the present value of the minimum lease payments is \$605,901 at June 30, 2013.

**5. Deposits and Investments**

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

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2013**

**6. Pension Plan**

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

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

CERS plan members are required to contribute 5.0% of employees' covered salaries. Plan members hired after September 1, 2008 are required to contribute an additional 1% contribution to a health insurance account. The District is required to contribute to CERS. The contribution rate is actuarially determined. The current rate for CERS is 19.55% of employees' annual covered payroll. The contribution requirements of the plan members, the District and the Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District contributed \$338,649 to CERS for the year ending June 30, 2013, \$317,690 for 2012 and \$293,489 for 2011.

**7. Risk Management**

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

**7. Risk Management, Continued**

At year end, the amount of deposits collateralized by depository insurance and pledged securities is as follows:

	Bank Balance	Depository Insurance	Pledged Securities	(Over) / Under Collateralized
Governmental Activities	\$ 3,010,775	\$ 250,000	\$ 3,965,000	\$ (1,204,225)
Blended Component Unit - PDGC	\$ 89,115	\$ 250,000	\$ -	\$ (160,885)
Component Unit - PHC	\$ 362,404	\$ 250,000	\$ 455,000	\$ (342,596)
Component Unit - WKWIB	\$ 558,424	\$ 250,000	\$ 1,310,000	\$ (1,001,576)

**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. New GASB Standards**

In fiscal year ended June 30, 2013, the District implemented the following GASB Statements:

Statement No. 61, "The Financial Reporting Entity: Omnibus". This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) under certain circumstances. There were no changes in how the component units are reported as a result of this implementation.

Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. There was no current effect on the financial statements as a result of implementing this statement.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2013**

**10. Restatement of Beginning Balances**

The beginning balances of the General Fund and Special Revenue Fund have been restated to record the two funds separately within the fund financial statements. This restatement did not change the total fund balance nor did it affect the prior year change in fund balance of the District. This restatement is a change in accounting principle as deemed necessary by GASB Statement No. 54, where it is required that a Special Revenue Fund be shown separately from the General Fund.

**General Fund**

Beginning Fund Balance	\$ 3,188,979
Adjustment for Special Revenue Fund	<u>(1,303,801)</u>
Beginning Fund Balance, as Restated	<u><u>\$ 1,885,178</u></u>

**Special Revenue Fund**

Beginning Fund Balance	\$ -
Adjustment for Special Revenue Fund	<u>1,303,801</u>
Beginning Fund Balance, as Restated	<u><u>\$ 1,303,801</u></u>

It is the District's policy to report all funds that are specified for a specific purpose into one Special Revenue Fund.

**11. Subsequent Events**

In August 2013, the District loaned \$250,000 to Glass Door Solutions, LLC through the Revolving Loan Fund (RLF) program. The note will be repaid in 120 monthly installments at a fixed rate of 4% per annum.

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<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	\$ 1,542,768
<b>Total U.S. Department of Agriculture</b>			<u>1,542,768</u>
<b><u>U. S. Department of Commerce</u></b>			
Passed-Through Department for Local Government Joint Funding Administration	11.302	MOA	90,930
Passed-Through Commonwealth Office of Broadband Outreach and Development State Broadband Data and Development Grant Program	11.558	MOA	2,709
Passed-Through Economic Development Administration Economic Development Technical Assistance	11.306	04-06-06569	10,581
Economic Adjustment Assistance (RLF) (Note 2)	11.307	04-79-06079	466,954
<b>Total U.S. Department of Commerce</b>			<u>571,174</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 1200001044 3	299,474
Title III Part C - Nutrition Services	93.045	PON2 725 1200001044 3	550,806
Nutrition Services Incentive	93.053	PON2 725 1200001044 3	141,348
Total Aging Cluster			<u>991,628</u>
Title III Part D - Disease Prevention	93.043	PON2 725 1200001044 3	16,870
Title III Part E - Caregiver Support	93.052	PON2 725 1200001044 3	117,954
Aging and Disability Resource Center	93.048	PON2 725 1200001044 3	6,998
Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations	93.779	PON2 725 1200001044 3	51,821
Medical Assistance Program	93.778	PON2 725 1200001044 3	62,400
Health Care Financing Research, Demonstrations and Evaluations	93.779	PON2 725 1200001044 3	16,210
Title VII - Ombudsman	93.042	PON2 725 1200001044 3	7,915
Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON2 725 1200001044 3	3,928
Assistance Programs for Chronic Disease Prevention & Control	93.945	PON2 725 1200001044 3	2,998
Public Health Emergency Preparedness	93.069	PON2 725 1200001044 3	3,000
Chronic Disease Self-Management Education	93.725	PON2 725 1200001044 3	5,169
<b>Total U.S. Department of Health and Human Services</b>			<u>1,286,891</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 1300001757 1	60,494
<b>Total U.S. Department of Homeland Security</b>			<u>60,494</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<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 Housing and Urban Development</u></b>			
Passed-Through Kentucky Housing Corporation Home Investment Partnerships Program	14.239	MOA*	24,767
Passed-Through Kentucky Department for Local Government Neighborhood Stabilization Program	14.228	09N-019	<u>14,359</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>39,126</u>
<b><u>U.S. Department of Labor</u></b>			
Passed-Through Kentucky Cabinet for Health and Family Services Senior Community Service Employment Title V Aging	17.235	PON2 725 1200001044 3	178,756
WIA Cluster (Note 3)			
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training			
Workforce Investment Act Adult	17.258	27011	33,879
Workforce Investment Act Adult	17.258	27311	16,515
Workforce Investment Act Adult	17.258	27012	22,618
Workforce Investment Act Adult	17.258	27312	539,438
Workforce Investment Act Adult	17.258	27013	110,243
Workforce Investment Act Adult	17.258	27313	839,028
Workforce Investment Act Youth Activities	17.259	27411	11,802
Workforce Investment Act Youth Activities	17.259	27412	293,827
Workforce Investment Act Youth Activities	17.259	27413	758,348
Workforce Investment Act National Emergency Grants	17.277	258MC11	3,530
Workforce Investment Act Dislocated Worker	17.278	27211	31,480
Workforce Investment Act Dislocated Worker	17.278	27111	445,869
Workforce Investment Act Dislocated Worker	17.278	27112	550,244
Workforce Investment Act Dislocated Worker	17.278	27213	130,897
Workforce Investment Act Dislocated Worker	17.278	27113	<u>934,679</u>
Total WIA Cluster			4,722,397
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training (Note 3)			
Trade Adjustment Assistance	17.245	20511	55,033
Trade Adjustment Assistance	17.245	20512	347,546
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	17.275	275EP10	<u>1,028,435</u>
<b>Total U.S. Department of Labor</b>			<u>6,332,167</u>
<b><u>Delta Regional Authority</u></b>			
Passed-Through Department for Local Government Delta Regional Authority Act - Technical Assistance	90.200	SF424	17,532
Delta Regional Authority Act - Kentucky Regional Labor Market Study	90.200	RW 0236	<u>97,877</u>
<b>Total Delta Regional Authority</b>			<u>115,409</u>
<b>Total Federal Award Expenditures</b>			<u>\$ 9,948,029</u>

\* Memorandum of Agreement (MOA)

**PENNYRILE AREA DEVELOPMENT DISTRICT  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2013**

**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	\$	7,941,577
Unspent Federal Revenues		(3,270)
Intermediary Relending Program		1,542,768
RLF Project Funds		<u>466,954</u>
 Federal Expenditures	 \$	 <u><u>9,948,029</u></u>

**3. WKWIB Reconciliation**

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

Kentucky Education and Workforce Development Cabinet	\$	6,152,499
Increases (Decreases)		
Deferred Revenue 06/30/13		<u>912</u>
 Workforce Investment Board Expenditures	 \$	 <u><u>6,153,411</u></u>

**PENNYRILE AREA DEVELOPMENT DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**JUNE 30, 2013**

**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	\$ 600,127
	SHIP	49,230
	Title V - Senior Community Service Employment Program	<u>166,243</u>
	Subrecipient Total	<u><u>\$ 815,600</u></u>
Christian County Senior Citizens Center, Inc.	Title III	<u>\$ 123,909</u>
	Subrecipient Total	<u><u>\$ 123,909</u></u>
Kentucky Legal Aid	Title III	<u>\$ 11,525</u>
	Subrecipient Total	<u><u>\$ 11,525</u></u>
Purchase Area Development District	WIA Funds	\$ 893,184
	WIA Funds - ARRA	<u>42,216</u>
	Subrecipient Total	<u><u>\$ 935,400</u></u>



**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF NET POSITION**  
**BETWEEN THE RIVERS DUPLEX**  
**JUNE 30, 2013**

**Assets**

Accounts Receivable	\$	4,625
Non-Current Assets		
Depreciable Capital Assets, Net		470,923
<b>Total Assets</b>		475,548

**Liabilities**

Accounts Payable		215
Other Current Liabilities		6,875
Non-Current Liabilities		
Due Within One Year		18,058
Due in More Than One Year		516,624
<b>Total Liabilities</b>		541,772

**Net Position**

Invested in Capital Assets, Net of Related Debt		(63,759)
Unrestricted		(2,465)
Restricted		-
<b>Total Net Position</b>	\$	(66,224)

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BETWEEN THE RIVERS DUPLEX**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Operating Revenues**

Rent	\$	34,448
Other Revenues		<u>2,535</u>
<b>Total Operating Revenues</b>		<u><u>36,983</u></u>

**Operating Expenses**

Salaries		1,114
Annual Leave		94
Employee Benefits		545
Travel		447
Depreciation		23,546
Other Direct Costs		14,848
Indirect Costs Applied		<u>633</u>
<b>Total Operating Expenses</b>		<u><u>41,227</u></u>

<b>Operating Income</b>		<u><u>(4,244)</u></u>
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**Non-Operating Revenues (Expenses)**

Interest Expense		<u>(12,250)</u>
<b>Total Non-Operating Revenues (Expenses)</b>		<u><u>(12,250)</u></u>

<b>Change in Net Position</b>		(16,494)
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<b>Net Position - Beginning</b>		<u>(49,730)</u>
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<b>Net Position - Ending</b>	\$	<u><u>(66,224)</u></u>
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**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Unrestricted Local Operations	Computer Services	Regional Transportation	Highway Signs Inventory	Aging			
					Title III Administration	Title III Supportive Services	Title III Congregate Meals	Title III Home Delivered Meals
<b>Revenues</b>								
Federal	\$ -	\$ -	\$ -	\$ -	\$ 92,684	\$ 271,642	\$ 290,713	\$ 207,465
State	-	-	78,253	18,800	26,816	68,508	49,995	60,579
Local								
Annual Assessments	65,921	-	-	-	-	-	-	-
Interest Income	5,450	-	-	-	-	-	-	-
Local Match	(13,611)	-	8,695	-	-	42	-	-
Local Applied to Grants	(16,854)	-	746	-	-	-	-	-
Other Revenues	11,310	6,576	-	-	-	-	-	-
Program Income	-	-	-	-	-	28,113	126,372	46,042
In-Kind Revenue	-	-	-	-	-	4,746	31,598	17,032
<b>Total Revenues</b>	<b>52,216</b>	<b>6,576</b>	<b>87,694</b>	<b>18,800</b>	<b>119,500</b>	<b>373,051</b>	<b>498,678</b>	<b>331,118</b>
<b>Expenditures</b>								
Direct Expenditures								
Salaries	-	1,639	42,650	10,804	46,990	11,819	-	-
Employee Benefits	-	872	14,696	1,860	25,472	6,130	-	-
Annual Leave	-	174	3,545	-	2,809	572	-	-
Travel	-	228	2,856	1,123	6,470	1,088	-	-
Contracted Services	-	-	-	-	-	309,403	340,708	268,044
Duplicating	-	2	986	-	2,287	2,531	-	-
Postage	-	42	82	-	1,091	929	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	20,759	100	266	325	5,908	1,068	-	-
In-Kind Expenditures	-	-	-	-	-	32,859	157,970	63,074
<b>Total Direct Expenditures</b>	<b>20,759</b>	<b>3,057</b>	<b>65,081</b>	<b>14,112</b>	<b>91,027</b>	<b>366,399</b>	<b>498,678</b>	<b>331,118</b>
Shared Costs Applied	-	906	22,613	4,688	28,473	6,652	-	-
<b>Total Expenditures</b>	<b>20,759</b>	<b>3,963</b>	<b>87,694</b>	<b>18,800</b>	<b>119,500</b>	<b>373,051</b>	<b>498,678</b>	<b>331,118</b>
<b>Excess of Revenues Over (Under)</b>								
<b>Expenditures</b>	<b>\$ 31,457</b>	<b>\$ 2,613</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, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Aging</u>							
	<u>Title III Disease Prevention</u>	<u>Federal Caregiver Services</u>	<u>Elder Abuse</u>	<u>Title VII Ombudsman</u>	<u>USDA</u>	<u>KAG Conference</u>	<u>Personal Care Attendant</u>	<u>Chronic Disease Self Management</u>
<b>Revenues</b>								
Federal	\$ 16,870	\$ 105,729	\$ 3,928	\$ 7,915	\$ 141,348	\$ -	\$ -	\$ 5,169
State	12,417	-	-	-	-	-	105,793	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	693	1,397	-	-	-	-
Local Applied to Grants	-	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	36	-	-
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	130,839	35,243	-	-	-	-	-	-
<b>Total Revenues</b>	<u>160,126</u>	<u>140,972</u>	<u>4,621</u>	<u>9,312</u>	<u>141,348</u>	<u>36</u>	<u>105,793</u>	<u>5,169</u>
<b>Expenditures</b>								
Direct Expenditures								
Salaries	-	26,075	2,118	4,588	-	-	2,279	3,305
Employee Benefits	-	12,565	1,087	1,657	-	-	1,311	327
Annual Leave	-	1,390	143	225	-	-	127	7
Travel	-	2,098	11	300	-	-	191	37
Contracted Services	29,287	45,226	-	-	141,348	-	100,470	-
Duplicating	-	1,270	-	-	-	-	-	-
Postage	-	606	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	1,360	59	123	-	36	16	-
In-Kind Expenditures	130,839	35,243	-	-	-	-	-	-
<b>Total Direct Expenditures</b>	<u>160,126</u>	<u>125,833</u>	<u>3,418</u>	<u>6,893</u>	<u>141,348</u>	<u>36</u>	<u>104,394</u>	<u>3,676</u>
Shared Costs Applied	-	15,139	1,203	2,419	-	-	1,399	1,493
<b>Total Expenditures</b>	<u>160,126</u>	<u>140,972</u>	<u>4,621</u>	<u>9,312</u>	<u>141,348</u>	<u>36</u>	<u>105,793</u>	<u>5,169</u>
<b>Excess of Revenues Over (Under)</b>								
<b>Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Aging</u>						
	<u>Title V Senior Employment</u>	<u>Section Q</u>	<u>State Caregiver Services</u>	<u>Disability Resource Center</u>	<u>Arthritis Grant</u>	<u>Adult Daycare</u>	<u>Consumer Directed Options</u>
<b>Revenues</b>							
Federal	\$ 178,756	\$ 16,210	\$ -	\$ 7,000	\$ 2,998	\$ -	\$ 62,400
State	-	-	75,861	-	-	136,491	742,038
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	220
Local Match	-	-	-	-	-	-	-
Local Applied to Grants	24	3	266	-	-	5	-
Other Revenues	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-
In-Kind Revenue	19,862	-	-	-	-	333	-
<b>Total Revenues</b>	<u>198,642</u>	<u>16,213</u>	<u>76,127</u>	<u>7,000</u>	<u>2,998</u>	<u>136,829</u>	<u>804,658</u>
<b>Expenditures</b>							
Direct Expenditures							
Salaries	5,519	9,780	21,661	4,654	1,097	5,313	104,003
Employee Benefits	3,302	817	5,182	402	242	2,901	45,829
Annual Leave	334	-	89	-	25	288	4,644
Travel	-	1,521	96	-	202	194	11,178
Contracted Services	166,243	-	37,712	-	-	123,526	570,225
Duplicating	-	-	133	-	-	-	1,319
Postage	-	-	444	-	-	-	1,546
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Direct Costs	45	-	209	-	800	1,074	6,780
In-Kind Expenditures	19,862	-	-	-	-	333	-
<b>Total Direct Expenditures</b>	<u>195,305</u>	<u>12,118</u>	<u>65,526</u>	<u>5,056</u>	<u>2,366</u>	<u>133,629</u>	<u>745,524</u>
Shared Costs Applied	<u>3,337</u>	<u>4,095</u>	<u>10,601</u>	<u>1,942</u>	<u>632</u>	<u>3,200</u>	<u>58,897</u>
<b>Total Expenditures</b>	<u>198,642</u>	<u>16,213</u>	<u>76,127</u>	<u>6,998</u>	<u>2,998</u>	<u>136,829</u>	<u>804,421</u>
<b>Excess of Revenues Over (Under)</b>							
<b>Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Aging</u>						
	<u>Traumatic Brain Injury</u>	<u>Functional Assessment Services Team</u>	<u>State Long- Term Care Ombudsman</u>	<u>SHIP</u>	<u>Homecare Services</u>	<u>Joint Funding Administration</u>	<u>Delta Regional Authority</u>
<b>Revenues</b>							
Federal	\$ -	\$ 3,000	\$ -	\$ 51,821	\$ -	\$ 90,930	\$ 17,532
State	1,020,077	-	56,261	-	1,053,719	124,143	-
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Local Match	-	-	-	-	2,826	-	-
Local Applied to Grants	974	-	-	163	-	10,431	967
Other Revenues	-	-	-	-	-	-	-
Program Income	-	-	-	-	8,271	-	-
In-Kind Revenue	-	-	-	2,466	53,095	-	-
<b>Total Revenues</b>	<u>1,021,051</u>	<u>3,000</u>	<u>56,261</u>	<u>54,450</u>	<u>1,117,911</u>	<u>225,504</u>	<u>18,499</u>
<b>Expenditures</b>							
Direct Expenditures							
Salaries	11,678	1,015	26,959	1,177	79,911	97,466	8,365
Employee Benefits	4,233	516	11,118	469	39,952	51,673	3,638
Annual Leave	588	60	1,319	55	4,136	6,444	529
Travel	161	134	1,697	391	9,369	7,571	283
Contracted Services	993,823	360	-	49,230	857,599	-	-
Duplicating	170	-	-	-	1,525	2,819	883
Postage	557	-	-	-	727	803	177
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Direct Costs	3,641	260	-	9	16,277	850	-
In-Kind Expenditures	-	-	-	2,466	61,366	-	-
<b>Total Direct Expenditures</b>	<u>1,014,851</u>	<u>2,345</u>	<u>41,093</u>	<u>53,797</u>	<u>1,070,862</u>	<u>167,626</u>	<u>13,875</u>
Shared Costs Applied	<u>6,200</u>	<u>655</u>	<u>15,168</u>	<u>653</u>	<u>47,049</u>	<u>57,878</u>	<u>4,624</u>
<b>Total Expenditures</b>	<u>1,021,051</u>	<u>3,000</u>	<u>56,261</u>	<u>54,450</u>	<u>1,117,911</u>	<u>225,504</u>	<u>18,499</u>
<b>Excess of Revenues Over (Under)</b>							
<b>Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Citizens Corp</u>	<u>Local Economic Development</u>	<u>EDA Planning</u>	<u>Broadband Planning</u>	<u>MSU Internship</u>	<u>Water Management</u>	<u>Water Resources</u>
<b>Revenues</b>							
Federal	\$ 60,494	\$ 97,877	\$ 10,581	\$ 5,000	\$ -	\$ -	\$ -
State	-	-	-	-	-	69,287	27,713
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-
Local Applied to Grants	263	195	-	-	1,161	1,161	310
Other Revenues	-	349,165	-	-	3,100	-	-
Program Income	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-
<b>Total Revenues</b>	<u>60,757</u>	<u>447,237</u>	<u>10,581</u>	<u>5,000</u>	<u>4,261</u>	<u>70,448</u>	<u>28,023</u>
<b>Expenditures</b>							
Direct Expenditures							
Salaries	11,218	149,101	4,097	1,163	2,846	27,571	12,453
Employee Benefits	3,235	71,587	1,773	457	254	17,369	5,706
Annual Leave	142	8,823	254	67	-	1,419	991
Travel	186	9,944	1,344	398	-	4,212	1,923
Contracted Services	-	93,216	-	-	-	-	-
Duplicating	1,008	737	285	-	-	276	-
Postage	36	240	1	-	-	461	-
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Direct Costs	38,896	1,214	566	-	-	1,305	-
In-Kind Expenditures	-	-	-	-	-	-	-
<b>Total Direct Expenditures</b>	<u>54,721</u>	<u>334,862</u>	<u>8,320</u>	<u>2,085</u>	<u>3,100</u>	<u>52,613</u>	<u>21,073</u>
Shared Costs Applied	<u>6,036</u>	<u>87,191</u>	<u>2,261</u>	<u>624</u>	<u>1,379</u>	<u>17,835</u>	<u>6,950</u>
<b>Total Expenditures</b>	<u>60,757</u>	<u>422,053</u>	<u>10,581</u>	<u>2,709</u>	<u>4,479</u>	<u>70,448</u>	<u>28,023</u>
<b>Excess of Revenues Over (Under)</b>							
<b>Expenditures</b>	<u>\$ -</u>	<u>\$ 25,184</u>	<u>\$ -</u>	<u>\$ 2,291</u>	<u>\$ (218)</u>	<u>\$ -</u>	<u>\$ -</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>PSWMA HHW Grant</b>	<b>PSWMA Recycling Grant</b>	<b>Revolving Loan Fund</b>	<b>Intermediary Relending Program</b>	<b>Mini Loan Fund</b>	<b>Between the Rivers Duplex</b>	<b>Neighborhood Stabilization Program</b>
<b>Revenues</b>							
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,359
State	6,833	76,564	-	-	-	-	-
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	-	12,469	34,823	1,367	-	-
Local Match	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	36,983	63,404
Program Income	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>6,833</b>	<b>76,564</b>	<b>12,469</b>	<b>34,823</b>	<b>1,367</b>	<b>36,983</b>	<b>77,763</b>
<b>Expenditures</b>							
Direct Expenditures:							
Salaries	-	-	3,374	5,069	-	1,113	788
Employee Benefits	-	-	1,992	2,737	-	545	405
Annual Leave	-	-	204	311	-	94	68
Travel	-	-	966	2,402	-	447	161
Contracted Services	5,835	76,564	-	-	-	-	75,626
Duplicating	19	-	-	-	-	-	-
Postage	-	-	29	-	-	-	-
Depreciation	-	-	-	-	-	23,546	-
Interest	-	-	-	10,921	-	12,250	-
Other Direct Costs	979	-	2,066	236	-	14,848	88
In-Kind Expenditures	-	-	-	-	-	-	-
<b>Total Direct Expenditures</b>	<b>6,833</b>	<b>76,564</b>	<b>8,631</b>	<b>21,676</b>	<b>-</b>	<b>52,843</b>	<b>77,136</b>
Shared Costs Applied	-	-	2,145	3,114	-	633	439
<b>Total Expenditures</b>	<b>6,833</b>	<b>76,564</b>	<b>10,776</b>	<b>24,790</b>	<b>-</b>	<b>53,476</b>	<b>77,575</b>
<b>Excess of Revenues Over (Under)</b>							
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,693</b>	<b>\$ 10,033</b>	<b>\$ 1,367</b>	<b>\$ (16,493)</b>	<b>\$ 188</b>



**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Home Rehab GAP Financing</b>	<b>Pennyrile Housing Corporation</b>	<b>Pennyrile Dev. &amp; Gov't Center</b>	<b>Workforce Investment Board</b>	<b>Workforce Investment Board - ARRA</b>	<b>Shared Cost Allocation</b>	<b>Total</b>
<b>Revenues</b>							
Federal	\$ 25,745	\$ -	\$ -	\$ 5,124,976	\$ 1,028,435	\$ -	\$ 7,941,577
State	-	2,590	-	-	-	-	3,812,738
Local							
Annual Assessments	-	-	-	-	-	-	65,921
Interest Income	-	5,476	258	-	-	-	60,063
Local Match	-	-	-	-	-	-	42
Local Applied to Grants	-	-	-	142	-	-	(43)
Other Revenues	-	92,680	57,415	4,095	-	-	624,764
Program Income	-	-	-	-	-	-	208,798
In-Kind Revenue	-	-	-	-	-	-	295,214
<b>Total Revenues</b>	<b>25,745</b>	<b>100,746</b>	<b>57,673</b>	<b>5,129,213</b>	<b>1,028,435</b>	<b>-</b>	<b>13,009,074</b>
<b>Expenditures</b>							
Direct Expenditures							
Salaries	-	41,364	-	583,184	128,977	300,254	1,803,437
Employee Benefits	-	25,385	-	190,571	38,466	138,679	735,412
Annual Leave	-	3,472	-	33,034	8,059	24,121	108,562
Travel	-	1,298	-	92,618	12,369	62,034	237,501
Contracted Services	24,745	-	-	3,774,189	710,611	-	8,793,990
Duplicating	6	186	-	9,077	59	6,370	31,948
Postage	16	61	-	2,110	1	3,759	13,718
Depreciation	-	-	41,367	-	-	19,310	84,223
Interest	-	2,650	15,380	-	-	-	41,201
Other Direct Costs	-	5,497	5,653	139,824	63,860	271,232	606,229
In-Kind Expenditures	-	-	-	-	-	-	504,012
<b>Total Direct Expenditures</b>	<b>24,767</b>	<b>79,913</b>	<b>62,400</b>	<b>4,824,607</b>	<b>962,402</b>	<b>825,759</b>	<b>12,960,233</b>
Shared Costs Applied	-	26,597	-	304,606	66,033	(825,759)	-
<b>Total Expenditures</b>	<b>24,767</b>	<b>106,510</b>	<b>62,400</b>	<b>5,129,213</b>	<b>1,028,435</b>	<b>-</b>	<b>12,960,233</b>
<b>Excess of Revenues Over (Under)</b>							
<b>Expenditures</b>	<b>\$ 978</b>	<b>\$ (5,764)</b>	<b>\$ (4,727)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,841</b>



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

To the Board of Directors of  
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, 2013, and the related notes to the financial statements, which collectively comprise Pennyriple Area Development District's basic financial statements and have issued our report thereon dated January 8, 2014.

**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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

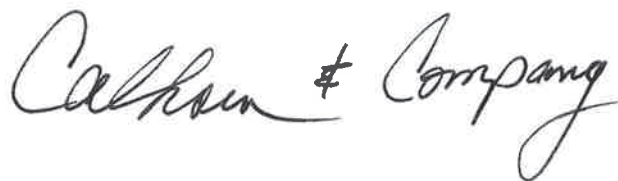
To the Board of Directors  
Pennyrile Area Development District  
January 8, 2014  
Page 2 of 2

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

**Purpose of this Report**

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

Hopkinsville, Kentucky  
January 8, 2014

A handwritten signature in cursive script that reads "Calhoun & Company". The signature is written in black ink and is positioned to the right of the date and location text.



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

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

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

We have audited Pennyrile Area Development District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pennyrile Area Development District's major federal programs for the year ended June 30, 2013. 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 each of 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, 2013.

To the Board of Directors  
Pennyriple Area Development District  
January 8, 2014  
Page 2 of 2

### Report on Internal Control Over Compliance

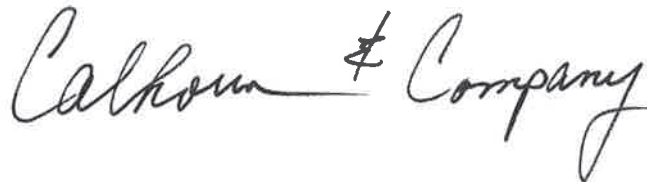
Management of Pennyriple Area Development District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered Pennyriple Area Development District's internal 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.

Hopkinsville, Kentucky  
January 8, 2014

A handwritten signature in cursive script that reads "Calhoun & Company". The signature is written in black ink and is positioned to the right of the date and location information.

**PENNYRILE AREA DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Financial Statements**

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

**Federal Awards**

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

Identification of Major Programs:

CFDA #17.275 – Program of Competitive Grants for Worker Training and Placement in High Growth  
And Emerging Industry – ARRA  
CFDA #10.767 – Intermediary Relending Program  
CFDA #11.307 – Economic Adjustment Assistance

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

**PENNYRILE AREA DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

**Section II – Financial Statement Findings**

No Matters Were Reported.

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

No Matters Were Reported.