

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

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2016

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

June 30, 2016

Officers

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

Caldwell County

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

Christian County

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

Crittenden County

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

Hopkins County

Donnie Carroll, Judge/ Executive
David Jackson, Mayor of Madisonville
Chris Phelps, Mayor's Designee
Jenny Sewell, Board Member

Livingston County

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

Lyon County

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

Muhlenburg County

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

Todd County

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

Trigg County

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

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

June 30, 2016

Officers

Jackie Jones-Chair
Dennis Courtney-Vice Chair
Gary Jones-Secretary
Clyde Elrod-Treasurer

Business Representatives

Clyde Elrod-Ballard Co.
Jason Redfern-Caldwell Co.
Dennis Courtney-Calloway Co.
Phillip Bean-Carlisle Co.
Jackie Jones-Christian Co.
Terry Ford-Crittenden Co.
Kristy Travis-Fulton Co.
Brad Youngblood-Graves Co.
Kory Naranjo-Hickman Co.
Ben Spears-Hopkins Co.
Crissy Carter-Livingston Co.
Randy Major-Lyon Co.
David Puckett-Marshall Co.
Will McDowell-McCracken Co.
Gary Jones-Muhlenberg Co.
Wayne W. Belanger-Todd Co.
Donnie Holland-Trigg Co.
Phil Dunn-Pennyriple Manufacturing
Sandra Richey-Pennyriple Manufacturing
Don Fraher-Purchase Manufacturing
Mary Beth Hudson-Purchase Manufacturing

Workforce Representatives

Robert "Bruce" Taylor-Labor-Pennyriple
Jim H. Key-Labor-Purchase
Kyle Henderson-Labor-Training
Vickie Hutcheson-KY Farmworkers Program, Inc.
Robert Tashjian, Jr.-4-H
Becki Wells-Community Youth
Leigh Ann Jarvis-J.U. Kevil
Katie Lopez-Veterans Affairs

Education & Training Representatives

Dr. Brian VanHorn-Murray State University
Dr. Jay S. Allen-Hopkinsville Community College
Dr. Barbara Veazey-West KY Community & Tech
Dr. Deborah Cox-Madisonville Community
Don Howerton-Adult Education

Government & Economic Development Reps

Mark Manning-Econ. Dev.-Purchase
Dan Bozarth-Econ. Dev-Pennyriple
Jennifer Beck-Walker-Area Development Dist.
Gina Johnston-Office of Employment & Training
Nancy Tooley-Office for the Blind

Other-Ex Officio (CLEOs)

Judge Bob Leeper-Purchase CLEO
Judge Steve Tribble-Pennyriple CLEO

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

June 30, 2016

Officers

Frank Stafford, Chair
Heath Duncan, Vice Chair

Caldwell County

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

Christian County

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

Crittenden County

Todd Perryman, Director
Darrin Tabor, Director

Hopkins County

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

Livingston County

Randell O'Bryan, Director
Barkley Gains, Director

Lyon County

Lilburn Ann Denney, Director
Gerald Board, Director

Muhlenberg County

Morgan Newman Armstrong, Director
Gary Jones, Director

Todd County

Daryl Greenfield, Judge/Executive

Trigg County

Hollis Alexander, Judge/ Executive
Lucy Miller, Director

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

June 30, 2016

Officers

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

Caldwell County
Sherman Chaudoin

Christian County
Roger Jeffers

Hopkins County
Ron Johnson

Todd County
Cecil Mallory

Trigg County
David Shore



THURMAN CAMPBELL GROUP, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of
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Kentucky Society of
Certified Public Accountants

Tennessee Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Pennyrile Area Development District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Pennyrile Area Development District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Pennyrile Area Development District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions and notes to required supplementary information on pages 7-11, 35, 36, and 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennyriple Area Development District's basic financial statements. The Board of Directors listings, Statement of Net Position – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Position – Between the Rivers Duplex and the Statements of Activities by Program – Statutory Basis on pages 1-4, 43, 44 and 45 – 51 are presented for purposes of additional analysis as required by grantors and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards on pages 39-40 and 41-42 is presented for purposes of additional analysis as required by The Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The Statement of Net Position – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Position – Between the Rivers Duplex, the Statements of Activities by Program – Statutory Basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Position – Between the Rivers Duplex, the Statements of Activities by Program – Statutory Basis and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Directors listings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017, on our consideration of Pennyriple Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennyriple Area Development District's internal control over financial reporting and compliance.

Thurman Campbell Group, PLC

Hopkinsville, Kentucky
January 9, 2017

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

The Pennyrile Area Development District (“District”) offers this Management’s Discussion and Analysis to provide an overview and analysis of the District’s financial activities for the fiscal year ended June 30, 2016. 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 District’s business-type activities assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$532,638 at June 30, 2016. The Component Unit’s assets and deferred outflows were exceeded by the liabilities and deferred inflows of resources by \$46,413 at June 30, 2016.
- The District’s business-type activities total net position decreased by \$62,892 during the year as a result of the pension liability adjustment of \$143,200. The Component Unit’s total net position decreased by \$3,070 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District’s report consists of three components: 1) management’s discussion and analysis (this section), 2) the financial statements, and 3) notes to the financial statements. This report also contains supplementary information.

Required Financial Statements

The Districts financial statements are prepared on the full accrual basis of accounting in accordance with generally accepted accounting principles.

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

The Statement of Revenues, Expenditures and Changes in Net Position identifies the revenues generated and the expenses incurred during the fiscal year

The Statement of Cash Flows provides information relating to the District’s cash receipts and cash disbursements during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

These notes provide additional information crucial to understanding data provided in the financial statements. Notes to the financial statements can be found on pages 15 – 34 of this report.

Required Information

Required supplemental information is shown on pages 35 – 38 of the report.

Supplementary Information

Supplementary information that is not a required part of the basic financial statements can be found on pages 39 – 51 of this report.

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

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

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's business-type activities assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$532,638 at June 30, 2016. The District's net investment in capital assets reflects its investment in capital assets less outstanding related debt used to acquire those assets. These assets are not available for future spending. Although the District's capital investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the District's Statement of Net Position at June 30:

	Business-type Activities		Component Unit Activities		Total	
	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Assets						
Current and Other Assets	\$ 4,840,717	\$ 4,587,052	\$ 1,168,882	\$ 615,280	\$ 6,009,599	\$ 5,202,332
Capital Assets	859,028	813,751	427,016	403,470	1,286,044	1,217,221
Total Assets	<u>5,699,745</u>	<u>5,400,803</u>	<u>1,595,898</u>	<u>1,018,750</u>	<u>7,295,643</u>	<u>6,419,553</u>
Deferred Outflows or Resources						
Pension Deferred Outflows	322,022	635,430	-	-	322,022	635,430
Total Deferred Outflows or Resources	<u>322,022</u>	<u>635,430</u>	<u>-</u>	<u>-</u>	<u>322,022</u>	<u>635,430</u>
Liabilities						
Current and Other Liabilities	1,046,820	756,831	964,555	433,900	2,011,375	1,190,731
Net Pension Liability	2,781,037	3,377,279	-	-	2,781,037	3,377,279
Long-Term Liabilities	1,366,159	1,274,759	667,004	624,481	2,033,163	1,899,240
Total Liabilities	<u>5,194,016</u>	<u>5,408,869</u>	<u>1,631,559</u>	<u>1,058,381</u>	<u>6,825,575</u>	<u>6,467,250</u>
Deferred Inflows of Resources						
Deferred Revenue	27,051	29,200	7,682	6,782	34,733	35,982
Deferred Pension Inflow	205,170	65,526	-	-	205,170	65,526
Total Deferred Inflows of Resources	<u>232,221</u>	<u>94,726</u>	<u>7,682</u>	<u>6,782</u>	<u>239,903</u>	<u>101,508</u>
Net Position						
Net Investment in Capital Assets	279,177	237,749	(74,367)	(75,949)	204,810	161,800
Restricted:						
Revolving Loan Fund	190,000	190,000	-	-	190,000	190,000
Intermediary Relending Program	572,446	590,763	-	-	572,446	590,763
Unrestricted	(446,093)	(485,874)	31,024	29,536	(415,069)	(456,338)
Total Net Position	<u>\$ 595,530</u>	<u>\$ 532,638</u>	<u>\$ (43,343)</u>	<u>\$ (46,413)</u>	<u>\$ 552,187</u>	<u>\$ 486,225</u>

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

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

The following table provides a summary of the District's Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30:

Pennyrile Area Development District Changes in Net Position

	Business-type Activities		Component Unit Activities	
	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Revenues				
Program Revenues				
Charges for Services	\$ 423,986	\$ 372,828	\$ 48,595	\$ 144,810
Operating Grants and Contributions	4,764,285	5,004,246	5,563,796	5,131,602
General Revenues				
Annual Assessments	65,816	65,791	-	-
Interest Earned	9,034	8,953	675	536
Other Revenues	10,131	7,606	-	-
Total Revenues	<u>5,273,252</u>	<u>5,459,424</u>	<u>5,613,066</u>	<u>5,276,948</u>
Expenses				
General & Administrative	(40,173)	226,976	-	-
Community/Economic Development	1,017,632	747,100	-	-
Transportation Services	97,209	448,175	-	-
Aging & Independent Living Services	3,985,957	4,066,005	-	-
Revolving Loan Fund	5,979	9,343	-	-
Intermediary Relending Program	8,068	5,583	-	-
Pennyrile Housing Corporation	-	-	166,911	165,332
West Kentucky Workforce Board	-	-	5,452,588	5,102,829
Interest on Long-Term Debt	21,893	19,134	12,444	11,857
Total Expenses	<u>5,096,565</u>	<u>5,522,316</u>	<u>5,631,943</u>	<u>5,280,018</u>
Change in Net Position	176,687	(62,892)	(18,877)	(3,070)
Net Position - Beginning (restated)	418,843	595,530	(24,466)	(43,343)
Net Position - Ending	<u>\$ 595,530</u>	<u>\$ 532,638</u>	<u>\$ (43,343)</u>	<u>\$ (46,413)</u>

Changes in Net Position – Business-type Activities. Net position decreased by \$62,892 in the fiscal year 2016. Key elements of the decrease are as follows:

Total revenues were \$5,459,424, an increase of 3.5% over the prior year. Of this, program revenues represent 98% of total revenues. Major sources of program revenues include various community support funding and grants. General revenues represent 2% of total revenues. Major sources of general revenues include annual assessments and interest income.

Total expenditures were \$5,522,316, an increase of 8% from the previous year. Of this, the major functions include aging and independent living services and community and economic development services. Together they comprise 87% of the total program expenditures.

The agency recorded a prior period adjustment of (\$150,137) to adjust the net pension liability.

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

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

1. The PHC's total revenues were \$174,119, an increase of 11% from the prior year. Of this, program revenues represent 100% of total revenues. Charges for services and operating grants and contributions are the major sources of program revenue.

Expenditures totaled \$177,189 a decrease of 1% from the previous year.

2. The WKWB's total revenues were \$5,102,829, a decrease of 6% from the prior year. The WKWB did not have any general revenues during the 2016 or 2015 fiscal years.

Expenditures totaled \$5,102,829, a decrease of 6% from the previous year.

CAPITAL ASSETS

The District's business-type activities investment in capital assets as of June 30, 2016 is \$859,028 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Pennyrile Area Development District Capital Assets, Net of Accumulated Depreciation

	Business-type Activities		Component Unit Activities		Total	
	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Land	\$ 9,988	\$ 9,988	\$ -	\$ -	\$ 9,988	\$ 9,988
Buildings and Improvements	1,345,393	1,357,042	647,518	647,518	1,992,911	2,004,560
Office Furniture and Equipment	224,408	227,008	25,506	25,506	249,914	252,514
Computers and Equipment	195,844	195,844	233,889	233,889	429,733	429,733
Vehicles	103,174	102,850	-	-	103,174	102,850
Construction in Progress	-	-	3,186	3,186	3,186	3,186
	<u>1,878,807</u>	<u>1,892,732</u>	<u>910,099</u>	<u>910,099</u>	<u>2,788,906</u>	<u>2,802,831</u>
Less Accumulated Depreciation	(1,019,779)	(1,078,981)	(483,083)	(506,629)	(1,502,862)	(1,585,610)
Total Net Capital Assets	<u>\$ 859,028</u>	<u>\$ 813,751</u>	<u>\$ 427,016</u>	<u>\$ 403,470</u>	<u>\$ 1,286,044</u>	<u>\$ 1,217,221</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's business-type activities had \$1,366,201 in outstanding notes and program debt, compared to \$1,456,208 at June 30, 2015. The component units had \$667,002 in outstanding notes and program debt, compared to \$709,313 at June 30, 2015.

The Pennyrile Development and Governmental Center, blended component unit, had \$566,015 in outstanding notes at June 30, 2016 compared to \$579,851 at June 30, 2015. This amount is included in the total business-type activities debt listed above.

During the year, \$13,836 was paid to reduce the debt outstanding related to the building addition, \$76,171 was paid to reduce re-lending program debts, and \$18,778 was paid to reduce the loan for the PHC apartment duplex located in Grand Rivers, Kentucky.

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

The Pennyrile Housing Corporation's payments to the Kentucky Housing Corporation for the Nonprofit Housing Production loans were \$23,533. 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, 2016.

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

ECONOMIC FACTORS

During the 2016 fiscal year, the District completed its 47th year of providing leadership on regional issues. The District is actively involved and partnering with other agencies to provide regional planning; review and technical services in areas of public administration, social services, economic development, workforce development and infrastructure development to the local Pennyrile communities in Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd and Trigg counties.

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

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

REQUESTS FOR INFORMATION

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Component Units</u>		
	<u>Pennyrile Area Development District</u>	<u>Pennyrile Housing Corporation</u>	<u>West Kentucky Workforce Board</u>
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,482,288	\$ 286,133	\$ 1,934
Program Receivables	721,625	33,291	542,048
Receivables Due from (to) Component Units	297,387	(137,924)	(159,463)
Other Current Assets	6,956	-	-
Total Current Assets	2,508,256	181,500	384,519
Non-Current Assets:			
Certificates of Deposit	834,414	-	-
Notes Receivable, Due Within One-Year	153,157	7,493	-
Notes Receivable, Due in More Than One Year	1,091,225	41,768	-
Depreciable Capital Assets, Net	803,763	400,284	-
Non-Depreciable Capital Assets	9,988	3,186	-
Total Non-Current Assets	2,892,547	452,731	-
Total Assets	5,400,803	634,231	384,519
<u>Deferred Outflows of Resources</u>			
Deferred Outflows Related to Pensions	635,430	-	-
Total Deferred Outflows of Resources	635,430	-	-
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	389,855	2,767	377,471
Grants Payable	13,314	-	-
Other Current Liabilities	107,164	4,093	7,048
Current Portion of Long Term Debt	91,442	42,521	-
Total Current Liabilities	601,775	49,381	384,519
Non-Current Liabilities:			
Accrued Annual Leave	155,056	-	-
Net Pension Liability	3,377,279	-	-
Long Term Debt Less Current Portion	1,274,759	624,481	-
Total Non-Current Liabilities	4,807,094	624,481	-
Total Liabilities	5,408,869	673,862	384,519
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue	29,200	6,782	-
Deferred Inflows Related to Pensions	65,526	-	-
Total Deferred Inflows of Resources	94,726	6,782	-
<u>Net Position</u>			
Net Investment in Capital Assets	237,749	(75,949)	-
Restricted:			
Revolving Loan Fund	190,000	-	-
Intermediary Relending Program	590,763	-	-
Unrestricted	(485,874)	29,536	-
Total Net Position	\$ 532,638	\$ (46,413)	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Component Units</u>		
	<u>Pennyrile Area Development District</u>	<u>Pennyrile Housing Corporation</u>	<u>West Kentucky Workforce Board</u>
Operating Revenues			
Charges for Services	\$ 315,679	\$ 53,560	\$ -
Rent	57,149	-	-
Grants	5,004,246	120,023	5,102,829
Annual Assessments	65,791	-	-
Other Revenues	7,606	-	-
Total Operating Revenues	<u>5,450,471</u>	<u>173,583</u>	<u>5,102,829</u>
Operating Expenditures			
General & Administrative	226,976	-	-
Community/Economic Development	747,100	-	-
Transportation Services	448,175	-	-
Aging Services	4,066,005	-	-
Revolving Loan Fund	9,343	-	-
Intermediary Relending Program	5,583	-	-
Pennyrile Housing Corporation	-	165,332	-
West KY Workforce Board	-	-	5,102,829
Total Operating Expenditures	<u>5,503,182</u>	<u>165,332</u>	<u>5,102,829</u>
Operating Income	<u>(52,711)</u>	<u>8,251</u>	<u>-</u>
Non-operating Revenues (Expenditures)			
Interest Income	8,953	536	-
Interest Expense	(19,134)	(11,857)	-
Total Non-operating Revenues (Expenditures)	<u>(10,181)</u>	<u>(11,321)</u>	<u>-</u>
Net Change in Net Position	<u>(62,892)</u>	<u>(3,070)</u>	<u>-</u>
Net Position - Beginning (Previously Reported)	745,687	(43,343)	-
Prior Period Adjustment (Note 9)	(150,157)	-	-
Net Position - Beginning (Restated)	<u>595,530</u>	<u>(43,343)</u>	<u>-</u>
Net Position - Ending	<u>\$ 532,638</u>	<u>\$ (46,413)</u>	<u>\$ -</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Component Units</u>		
	<u>Pennyrile Area Development District</u>	<u>Pennyrile Housing Corporation</u>	<u>West KY Workforce Board</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Grantor Agencies	\$ 5,523,742	\$ 105,853	\$ 5,594,303
Other Cash Received	446,225	53,560	-
Payments to Suppliers & Providers of Program Services	(4,347,909)	(8,139)	(4,419,582)
Payments for Employees Services and Benefits	<u>(1,307,564)</u>	<u>(87,633)</u>	<u>(1,175,119)</u>
Net Cash Provided/(Used) by Operating Activities	<u>314,494</u>	<u>63,641</u>	<u>(398)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(44,542)	-	-
Sale of Capital Assets	13,000	-	-
Interest Expense	(19,801)	(11,857)	-
Principal Payment on Long-Term Debt	<u>(90,007)</u>	<u>(42,311)</u>	<u>-</u>
Net Cash Used in Capital and Related Financing Activities	<u>(141,350)</u>	<u>(54,168)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	<u>14,808</u>	<u>536</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>14,808</u>	<u>536</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	187,952	10,009	(398)
Cash and Cash Equivalents - Beginning of Year	<u>2,128,750</u>	<u>276,129</u>	<u>2,332</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,316,702</u>	<u>\$ 286,138</u>	<u>\$ 1,934</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Operating Income	\$ (52,711)	\$ 8,251	\$ -
Depreciation Expenses	74,818	23,547	-
Loss on Sale of Assets	2,000	-	-
GASB 68 Pension Expense Adjustment	142,966	-	-
Decrease (Increase) in Assets:			
Receivables, Net	359,907	(25,367)	491,474
Other Current Assets	3,427	12,097	-
Loans Receivable	157,440	-	-
Increase (Decrease) in Liabilities:			
Accounts and Other Payables	(287,314)	(3,451)	(523,897)
Grants Payable	(52)		
Change in Due/To From	(85,004)	50,756	34,248
Other Current Liabilities	(16,689)	(1,292)	(2,223)
Accrued Leave	13,557	-	-
Unearned Revenue	<u>2,149</u>	<u>(900)</u>	<u>-</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 314,494</u>	<u>\$ 63,641</u>	<u>\$ (398)</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies

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

a. The Reporting Entity

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

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

Discretely presented component units:

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

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

1. Summary of Significant Accounting Policies, Continued

a. The Reporting Entity, Continued

Blended component unit:

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

b. Basis of Presentation

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, PADD follows all GASB pronouncements.

c. Basis of Accounting and Measurement Focus

Proprietary Funds

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows display information about the District. These statements distinguish between activities that are of the District and those that are component unit activities.

These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, as applicable, are included in the accompanying Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present the changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of cash flows.

The District recognized investment income as non-operating income. All other income is recognized as operation income.

d. Use of Estimates

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

1. Summary of Significant Accounting Policies, Continued

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.

It's the District's policy to follow Kentucky Revised Statute 66.480 which 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. Capital Assets

In the Statement of Net Position, land, buildings, equipment, and vehicles are accounted for as capital assets in the applicable proprietary or component unit activity column. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The District has established a policy of capitalizing assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year.

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

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

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

g. Notes Receivable

Notes receivable are stated at the outstanding principal amount net of allowance for uncollectible notes. Management determines the allowance for uncollectible notes based on review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements and are collateralized by promissory notes and security agreements. Management determines when a note receivable is considered delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. Management determined that no allowance for uncollectible notes receivable was necessary at June 30, 2016.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

1. Summary of Significant Accounting Policies, Continued

h. 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 1st 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 if significant at year-end. At June 30, 2016, these liabilities included \$155,056 in annual leave pay.

i. Deferred Outflows/ Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has \$635,430 in deferred outflows of resources for fiscal year ended June 30, 2016 that relates to funds paid that relate to a future time period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$94,726 in deferred inflows of resources for fiscal year ended June 30, 2016 that relates to funds received that relate to a future time period.

j. Net Position

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

1. Summary of Significant Accounting Policies, Continued

j. Net Position, Continued

Restricted Net Position – consists of net assets that have a third-party (statutory or granting agency) limitation on their use. The District uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District has restricted net assets in the Revolving Loan Fund and Intermediary Relending Program in the amounts of \$190,000 and \$590,763 respectively.

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

k. Prioritization and Use of Available Resources

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

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.

m. Cost Allocation Plan

The District is required by the Department of Local Government to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins in Note 8. The District is in conformity with 2 CFR Part 225.

n. Fair Value of Financial Instruments

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

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

1. Summary of Significant Accounting Policies, Continued

o. Date of Management Review

In preparing these financial statements, the District has evaluated the events and transactions for potential recognition or disclosure through January 9, 2017 the date the financial statements were available to be issued.

p. Pensions

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

q. Budgetary Information

The District is not required to adopt a legally binding budget. 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 WKWB is required to adopt a legally binding contract budget.

r. Related Company Transactions

The District handles transfers between the primary government and component units as revenues when received and expenses when paid. Short-term amounts owed between units are classified as "Due to/from Component Units".

s. Change in Financial Reporting

For the year ended June 30, 2016 the District adopted a new financial reporting framework. Per State of Kentucky guidance, the District now reports operations as a proprietary fund.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

2. Deposits and Investments

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

As of June 30, 2016 deposits are collateralized as follows:

	Bank Balance	Insured FDIC	Uninsured and collateralized with securities held by the pledging financial institution's agent but not in the name of the District
Business-type Activities	\$ 2,515,825	\$ 477,189	\$ 2,038,636
Blended Component Unit - PDGC	22,811	22,811	-
Component Unit - PHC	286,865	286,865	-
Component Unit - WKWB	63,638	1,925	61,714
Total	<u>\$ 2,889,139</u>	<u>\$ 788,790</u>	<u>\$ 2,100,349</u>

3. Capital Assets

Capital asset activity of the District for the year ended June 30, 2016, consisted of the following:

	Balance June 30, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Business-type Activities				
Land	\$ 9,988	\$ -	\$ -	\$ 9,988
Buildings and Improvements	1,345,393	11,649	-	1,357,042
Office Furniture and Equipment	224,408	2,600	-	227,008
Computers and Equipment	195,844	-	-	195,844
Vehicles	103,174	17,293	(17,617)	102,850
Total	<u>1,878,807</u>	<u>31,542</u>	<u>(17,617)</u>	<u>1,892,732</u>
Less Accumulated Depreciation	<u>(1,019,779)</u>	<u>(74,819)</u>	<u>15,617</u>	<u>(1,078,981)</u>
Total Business-type Activities	<u>\$ 859,028</u>	<u>\$ (43,277)</u>	<u>\$ (2,000)</u>	<u>\$ 813,751</u>

A summary of the component units fixed asset transactions for the year ended June 30, 2016, follows:

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016**

3. Capital Assets, Continued

	Balance <u>June 30, 2015</u>	Additions/ <u>Transfers</u>	Deletions <u>Transfers</u>	Balance <u>June 30, 2016</u>
Componet Unit Activities				
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	3,186	-	-	3,186
Total	<u>910,099</u>	<u>-</u>	<u>-</u>	<u>910,099</u>
Less Accumulated Depreciation	<u>(483,083)</u>	<u>(23,546)</u>	<u>-</u>	<u>(506,629)</u>
Total Componet Unit Activites	<u><u>\$ 427,016</u></u>	<u><u>\$ (23,546)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 403,470</u></u>

For the year ended June 30, 2016, depreciation on capital assets was charged or allocated as follows:

General & Administrative	\$ 2,785
Community/Economic Development	7,119
Transportation Services	1,447
Aging Services	10,597
Revolving Loan Fund	163
Intermediary Relending Program	52
Pennyrile Development and Gov't Center	40,734
West Kentucky Workforce Board	10,891
Pennyrile Housing Corporation	24,577
Total Depreciation Expense	<u><u>\$ 98,365</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

4. Non-Current Liabilities

The District's non-current liabilities include compensated absences and notes and leases payable. The following is a summary of non-current liability transactions for the year ended June 30, 2016:

	Balance <u>6/30/2015</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/2016</u>	<u>Due 1 Year</u>
<u>Business-type</u>					
Compensated Absences	\$ 141,499	\$ 118,539	\$ 104,982	\$ 155,056	\$ -
USDA	876,357	-	76,171	800,186	76,975
KACO	<u>579,851</u>	<u>-</u>	<u>13,836</u>	<u>566,015</u>	<u>14,467</u>
Total Governmental	<u>1,597,707</u>	<u>118,539</u>	<u>194,989</u>	<u>1,521,257</u>	<u>91,442</u>
<u>Component Units</u>					
KHC	4,291	-	1,076	3,215	1,076
KHC	6,315	-	1,263	5,052	1,263
KHC	11,373	-	1,895	9,478	1,896
KHC	24,612	-	3,516	21,096	3,516
KHC	25,650	-	3,206	22,444	3,206
KHC	29,407	-	3,267	26,140	3,267
KHC	26,651	-	2,423	24,228	2,423
KHC	22,547	-	2,050	20,497	2,050
KHC	6,766	-	564	6,202	564
KHC	6,125	-	471	5,654	471
KHC	15,798	-	1,011	14,787	935
KHC	28,297	-	1,696	26,601	1,570
KHC	3,283	-	1,095	2,188	1,095
KHC	<u>498,198</u>	<u>-</u>	<u>18,778</u>	<u>479,420</u>	<u>19,189</u>
Total Component Units	<u>709,313</u>	<u>-</u>	<u>42,311</u>	<u>667,002</u>	<u>42,521</u>
Total	<u>\$ 2,307,020</u>	<u>\$ 118,539</u>	<u>\$ 237,300</u>	<u>\$ 2,188,259</u>	<u>\$ 133,963</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016**

4. Non-Current Liabilities, Continued

Non-current liabilities at June 30, 2016, are comprised of the following:

Business-type			
<u>Notes and Leases Payable</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance 6/30/2016</u>
USDA	1.00%	2027	\$ 800,186
Kentucky Association of Counties	3.86%	2037	<u>566,015</u>
Total Business-type Activities			<u>1,366,201</u>
Component Units			
<u>Notes and Leases Payable</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance 6/30/2016</u>
Kentucky Housing Corporation	1.00%	2017	2,188
Kentucky Housing Corporation	1.00%	2018	3,215
Kentucky Housing Corporation	1.00%	2019	5,052
Kentucky Housing Corporation	1.00%	2019	14,787
Kentucky Housing Corporation	1.00%	2020	9,478
Kentucky Housing Corporation	1.00%	2021	21,096
Kentucky Housing Corporation	1.00%	2022	22,444
Kentucky Housing Corporation	1.00%	2023	26,140
Kentucky Housing Corporation	1.00%	2024	24,228
Kentucky Housing Corporation	1.00%	2025	20,497
Kentucky Housing Corporation	1.00%	2026	6,202
Kentucky Housing Corporation	1.00%	2027	5,654
Kentucky Housing Corporation	1.00%	2031	26,601
Kentucky Housing Corporation	2.00%	2036	<u>479,420</u>
Total Component Units			<u>667,002</u>
Total Long-Term Debt			<u>\$ 2,033,203</u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

4. Non-Current Liabilities, Continued

The annual requirements to retire debt are as follows:

Business-type Activities - Notes Payable			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 76,975	\$ 8,025	\$ 85,000
2018	77,745	7,255	85,000
2019	78,522	6,478	85,000
2020	79,307	5,693	85,000
2021	80,100	4,900	85,000
2022-2026	<u>407,537</u>	<u>11,791</u>	<u>419,328</u>
Totals	<u>\$ 800,186</u>	<u>\$ 44,142</u>	<u>\$ 844,328</u>

Business-type Activities - Leases Payable			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 14,467	\$ 24,110	\$ 38,577
2018	15,090	23,487	38,577
2019	15,745	22,832	38,577
2020	16,388	22,189	38,577
2021	17,125	21,452	38,577
2022-2026	97,325	95,558	192,883
2027-2031	120,186	72,696	192,882
2032-2036	148,403	44,479	192,882
2037-2041	<u>121,286</u>	<u>3,454</u>	<u>124,740</u>
Totals	<u>\$ 566,015</u>	<u>\$ 330,257</u>	<u>\$ 896,272</u>

Component Activities - Notes Payables			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 42,423	\$ 11,414	\$ 53,837
2018	42,832	10,799	53,631
2019	42,143	10,145	52,288
2020	41,484	9,548	51,032
2021	40,678	10,982	51,660
2022-2026	174,475	33,597	208,072
2027-2031	136,621	21,287	157,908
2032-2036	135,436	8,231	143,667
2037-2041	<u>10,910</u>	<u>44</u>	<u>10,954</u>
Totals	<u>\$ 667,002</u>	<u>\$ 116,047</u>	<u>\$ 783,049</u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

4. Non-Current Liabilities, Continued

The lease payable is considered to be a capital lease. The lease was to fund the construction of a building addition to the District's facilities. The cost of the addition was \$803,027 with current accumulated depreciation of \$178,451 and the present value of the minimum lease payments is \$566,015 at June 30, 2016.

Amortization of the building has been included in depreciation expense.

5. Pensions Plan

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

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

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

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

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

5. Pensions Plan, Continued

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

Contributions. Contributions for members are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. CERS covered employees are required to contribute 5% of gross pay and all employees that began participating after September 1, 2008 are required to contribute an additional 1% for health coverage. The agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the CERS are required to be paid. Employer contributions by the District for the year ended June 30, 2016 to the CERS were \$325,135 which is 17.06% of covered payroll and any additional required payments. The contribution rate of 17.06% is comprised of amounts for pension and insurance benefits, 12.42% or \$224,692 was allocated to pensions, 4.64% or \$83,943 was allocated to insurance and \$16,500 in additional pension payments for other qualified service. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liability. At June 30, 2016, the District reported a liability of \$3,377,279 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan during the year ended June 30, 2015, relative to the contributions of all members for the year ended June 30, 2015. At the June 30, 2015 measurement date, District's proportion was 0.078550% as shown for CERS on the report submitted on November 18, 2015.

Pension expense. For the year ended June 30, 2016, District recognized a pension expense of \$468,334.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

5. Pensions Plan, Continued

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	\$ 28,066	\$ -
Change of assumptions	340,562	-
Net difference between projected and actual earnings on plan investments	30,275	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	65,526
Employer contributions subsequent to the Measurement Date	236,527	-
	\$ 635,430	\$ 65,526

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

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

June 30	Amount
2017	\$ 110,547
2018	110,547
2019	51,376
2020	60,907
2021	-
	\$ 333,377

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

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

Inflation	3.25%
Salary increases	4.00% average, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016**

5. Pensions Plan, Continued

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	100%	

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016**

5. Pensions Plan, Continued

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The discount rate does not use a municipal bond rate.

Projected cash flows. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate Page 5 of projected compensation over the remaining 28-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of percent, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (7.50%) than the current rate for non-hazardous:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Pennyrile Area Development District's net pension liability	\$ 4,311,514	\$ 3,377,279	\$ 2,577,186

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

6. Risk Management

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

7. 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.

8. Cost Allocation Plan

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

Operating expenses of the District are charged as either direct program costs or indirect costs on behalf of all programs. Direct charges to a particular program are as defined in 2 CFR 200, which can be identified specifically with a particular program objective. The criteria as used by the District in determining direct and indirect costs are as follows:

A. Salaries and Wages

- a. Direct Costs – The majority of the employee's direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization. The charges are supported by auditable labor distribution reports which reflect the actual activities of the employees.
- b. Indirect Costs – The following staff members charge 100% of their salary costs indirectly.
 - i. Executive Assistant
 - ii. Office Manager

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016**

8. Cost Allocation Plan, Continued

- c. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities:
- i. Executive Director
 - ii. Administrative Officer
 - iii. Receptionist
 - iv. Computer Manager

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

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

B. Fringe Benefits

The District contributes the following fringe benefits for its employees:

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

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

In accordance with 2 CFR Part 200, Uniform Guidance, payments to separating employees for unused leave are treated as indirect costs when computing the indirect cost rate. Payments to separating employees for unused leave are not charges as direct costs to any federal awards.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

8. Cost Allocation Plan, Continued

C. Travel

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

D. Consultant Costs

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

E. Printing and Duplicating

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

F. Postage

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

G. Audit Fees

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

H. Building Rental

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

I. Equipment Rental/ Purchases

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

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

8. Cost Allocation Plan, Continued

For fiscal year ended June 30, 2016, the shared cost categories that were allocated to all of the programs are as follows:

Salaries	\$ 309,623
Employee Benefits	178,561
Annual Leave	24,037
Travel	69,645
Duplication	4,378
Postage	5,789
Depreciation	11,395
Other Indirect Costs	<u>283,921</u>
Total Shared Costs	<u>\$ 887,349</u>

9. Prior Period Adjustment

The net position was restated to reflect the change in proportionate share of the net pension liability related to the County Employee Retirement System. Net position was decreased by \$150,137 to reflect this change.

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

	<u>2015</u>	<u>2016</u>
Total net pension liability (asset) for County Employee Retirement System	\$ 324,437,700	\$4,299,525,565
Pennyrile Area Development District's proportion of the net pension liability	0.081091%	0.07855%
Pennyrile Area Development District's proportionate share of the net pension liability	\$ 2,630,890	\$ 3,377,279
Pennyrile Area Development District's covered-employee payroll	\$ 1,832,682	\$ 1,809,116
Pennyrile Area Development District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.55%	186.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution (ADC)	\$ 255,613	\$ 233,667	\$ 224,692
Contribution in relation to the actuarially determined contribution	255,613	233,667	224,692
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pennyrile Area Development District's covered- employee payroll	\$ 1,860,356	\$ 1,832,682	\$ 1,809,116
Contributions as a percentage of Pennyrile Area Development District's covered-employee payroll	13.74%	12.75%	12.42%

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

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

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

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

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

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

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

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

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability Page 12 retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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

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

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation	5-year smoothed market
Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed-Through Rural Development				
Intermediary Relending Program (Note 5)	10.767	DO-94-213	\$ -	\$ 834,502
Rural Business Enterprise Grants	10.769	MOA	-	29,834
Total U.S. Department of Agriculture			-	864,336
<u>U.S. Department of Commerce</u>				
Passed-Through Department for Local Government				
Joint Funding Administration	11.302	MOA	-	84,430
Passed-Through Economic Development Administration				
Economic Adjustment Assistance	11.307	04-79-06751	-	135,538
Economic Adjustment Assistance (RLF) (Note 5)	11.307	04-79-06079	-	484,183
Total U.S. Department of Commerce			-	704,151
<u>U.S. Department of Defense</u>				
Passed-Through Office of Economic Adjustment				
Community Economic Adjustment Assistance for Realignment and Closure of a Military Installation	12.607	HQ00051510020	-	250,926
Total U.S. Department of Defense			-	250,926
<u>U.S. Department of Health and Human Services</u>				
Passed-Through Kentucky Cabinet for Health and Family Services				
Aging Cluster				
Title III Part B - Support Services	93.044	PON2 725 1400001066 6	170,164	281,527
Title III Part C - Nutrition Services	93.045	PON2 725 1400001066 6	486,972	533,939
Nutrition Services Incentive	93.053	PON2 725 1600000226 1	161,355	161,355
Total Aging Cluster			818,491	976,821
Title III Part D - Disease Prevention	93.043	PON2 725 1400001066 6	15,063	15,063
Title III Part E - Caregiver Support	93.052	PON2 725 1400001066 6	-	106,069
Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations	93.779	PON2 725 1600001180 1	35,262	37,065
Medical Assistance Program	93.778	PON2 725 1400001160 7	-	19,980
Title VII - Ombudsman	93.042	PON2 725 1400001073 5	-	6,474
Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON2 725 1400001073 5	-	3,855
Assistance Programs for Chronic Disease Prevention & Control	93.945	PON2 725 1400001164 4	-	3,500
Public Health Emergency Preparedness	93.069	PON2 725 1400001163 3	-	2,000
Chronic Disease Self-Management Education	93.725	PON2 725 1600001141 1	4,000	5,577
Medicare Enrollment Assistance Program	93.071	PON2 725 1600000228 1	37,363	52,590
Total U.S. Department of Health and Human Services			910,179	1,228,994
<u>U.S. Department of Homeland Security</u>				
Passed-Through Kentucky Office of Homeland Security				
Citizens Corp Personnel	97.067	PO2 094 1500004093 1	-	15,349
Flood Mitigation Assistance	97.029	PO2 095 1400003744 1	-	6,029
Pre-Disaster Mitigation	97.047	PO2 095 1400002606 1	-	24,901
Total U.S. Department of Homeland Security			-	46,279
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through Kentucky Housing Corporation				
Home Investment Partnerships Program	14.239	MOA*	-	21,700
Passed-Through Kentucky Department for Local Government				
Neighborhood Stabilization Program	14.228	14N-019	-	3,652
Total U.S. Department of Housing and Urban Development			-	25,352

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of Labor</u>				
Passed-Through Kentucky Cabinet for Health and Family Services Senior Community Service Employment Title V Aging	17.235	PON2 725 1400001202 3	150,025	162,163
WIOA Cluster (Note 6) Workforce Innovation and Opportunity National Dislocated Worker Grants/Workforce Investment Act National Emergency Grants	17.277	EM-26706-15-60-A-21	154,950	695,153
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training				
Workforce Investment Act/Workforce Innovation and Opportunity Act Adult Program	17.258	270W5		881
Workforce Investment Act/Workforce Innovation and Opportunity Act Adult Program	17.258	273W5	42,379	420,528
Workforce Investment Act/Workforce Innovation and Opportunity Act Adult Program	17.258	27016	31,460	98,466
Workforce Investment Act/Workforce Innovation and Opportunity Act Adult Program	17.258	27316	102,626	703,576
Workforce Investment Act/Workforce Innovation and Opportunity Act Youth Activities	17.259	274W5	34,574	387,408
Workforce Investment Act/Workforce Innovation and Opportunity Act Youth Activities	17.259	27416	34,693	558,911
Workforce Innovation and Opportunity National Dislocated Worker Grants/Workforce Investment Act National Emergency Grants	17.277	258GO15		112,648
Workforce Investment Act/Workforce Innovation and Opportunity Act Dislocated Worker	17.278	271W4	35,099	478,350
Workforce Investment Act/Workforce Innovation and Opportunity Act Dislocated Worker	17.278	272W5		26,295
Workforce Investment Act/Workforce Innovation and Opportunity Act Dislocated Worker	17.278	271W5	143,267	465,738
Workforce Investment Act/Workforce Innovation and Opportunity Act Dislocated Worker	17.278	27216	65,828	160,030
Workforce Investment Act/Workforce Innovation and Opportunity Act Dislocated Worker	17.278	27116	109,979	359,851
Total WIA/WIOA Cluster			754,855	4,467,835
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training (Note 6)				
Trade Adjustment Assistance	17.245	20513	-	132,696
Trade Adjustment Assistance	17.245	20514	-	502,290
Total U.S. Department of Labor			904,880	5,264,984
<u>U.S. Department of Transportation</u>				
Passed-Through Kentucky Transportation Cabinet Highway Planning and Construction	20.205	PO2-625 1600000822	-	13,760
Total U.S. Department of Transportation			-	13,760
<u>U.S. Department of Veterans Affairs</u>				
VHA Home Care	64.044	MOA	-	51,603
Total U.S. Department of Veterans Affairs			-	51,603
<u>Delta Regional Authority</u>				
Passed-Through Department for Local Government Delta Regional Authority Act - Technical Assistance	90.200	SF424	-	17,339
Total Delta Regional Authority			-	17,339
Total Federal Award Expenditures			\$ 1,815,059	\$ 8,467,724
Schedule of Expenditures of Federal Awards Calculation for Revolving Loan (RLF) and Intermediary Relending Programs (IRP)				
(RLF) Grant				
Balance of RLF loans outstanding at June 30, 2016				\$ 519,650
Cash and investment balance in RLF at June 30, 2016				103,925
Administrative expenses paid out of RLF in year ended June 30, 2016				9,343
Total				632,918
Federal share of RLF			X	76.5%
Total amount reported on SEFA for RLF				\$ 484,183
(IRP) Grant				
Balance of IRP loans outstanding at June 30, 2016				\$ 800,186
Cash and investment balance in IRP at June 30, 2016				34,316
Administrative expenses paid out of IRP in year ended June 30, 2016				-
Total amount reported on SEFA for IRP				\$ 834,502

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The District uses a Cost Allocation Plan methodology as defined in Appendix VII, Part 200, Section F3.

4. Loan Balances

The balance of loans outstanding at June 30, 2016 was \$ 1,318,685.

5. Federal Expenditure Reconciliation

The District participates in certain federal programs that involve the loaning of monies to third parties. In accordance with Uniform Guidance, 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	\$ 7,149,039
Intermediary Relending Programs	834,502
RLF Project Funds	<u>484,183</u>
Federal Expenditures	<u><u>\$ 8,467,724</u></u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

6. WKWB Reconciliation

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

Kentucky Education and Workforce Development Cabinet	\$ 4,406,987
Increases (Decreases)	
Direct Funding from Workforce Investment Opportunity Act	
National Emergency Grant	695,153
Deferred Revenue 6/30/16	<u>681</u>
Workforce Board Expenditures	<u><u>\$ 5,102,821</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
BETWEEN THE RIVERS DUPLEX
JUNE 30, 2016

Assets

Accounts Receivable	\$ 2,675
Non-Current Assets	
Depreciable Capital Assets, Net	400,285
Total Assets	402,960

Liabilities

Accounts Payable	1,343
Other Current Liabilities	26,322
Non-Current Liabilities	
Due Within One Year	19,189
Due in More Than One Year	460,231
Total Liabilities	507,085

Net Positions

Invested in Capital Assets, Net of Related Debt	(79,135)
Unrestricted	(24,991)
Restricted	-
Total Net Position	\$ (104,126)

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BETWEEN THE RIVERS DUPLEX
FOR THE YEAR ENDED JUNE 30, 2016**

Operating Revenues

Rent	\$ 47,403
Other Revenues	<u>2,950</u>

Total Operating Revenues	<u>50,353</u>
---------------------------------	---------------

Operating Expenses

Salaries	969
Annual Leave	93
Employee Benefits	605
Travel	345
Depreciation	23,546
Other Direct Costs	16,505
Indirect Costs Applied	<u>640</u>

Total Operating Expenses	<u>42,703</u>
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Operating Income	<u>7,650</u>
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Non-Operating Revenues (Expenses)

Interest Expense	<u>(9,956)</u>
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Total Non-Operating Revenues (Expenses)	<u>(9,956)</u>
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Change in Net Position	(2,306)
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Net Position - Beginning	<u>(101,820)</u>
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Net Position - Ending	<u><u>\$ (104,126)</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, 2016

	Unrestricted Local Operations	Aging						Title III Ombudsman	Title III Congregate Meals
		Title III B Administration	Title III C1 Administration	Title III C2 Administration	Title III E Administration	Title III Supportive Services			
Revenues									
Federal	\$ -	\$ 24,503	\$ 31,066	\$ 15,902	\$ 9,696	\$ 240,224	\$ 16,800	\$ 315,594	
State	-	8,518	12,620	11,123	5,274	84,787	2,965	65,366	
Local									
Annual Assessments	65,791	-	-	-	-	-	-	-	
Interest Income	5,278	-	-	-	-	-	-	-	
Local Match	(10,497)	-	-	-	-	-	-	-	
Local Applied to Grants	(38,678)	-	54	2,147	-	-	48	-	
Other Revenues	7,618	-	-	-	-	-	-	-	
Program Income	-	-	-	-	-	16,590	-	23,344	
In-kind Revenue	-	-	-	-	-	5,080	-	20,160	
Total Revenues	29,512	33,021	43,740	29,172	14,970	346,681	19,813	424,464	
Expenditures									
Direct Expenditures									
Salaries	-	12,046	17,759	11,670	6,505	18,793	8,607	-	
Employee Benefits	143,200	6,399	9,673	6,448	3,125	9,555	3,852	-	
Annual Leave	-	827	1,236	818	468	1,136	453	-	
Travel	5,846	1,613	1,239	696	66	688	840	-	
Contracted Services	-	-	-	-	-	281,796	-	380,960	
Duplicating	-	343	330	157	330	-	305	-	
Postage	-	781	151	151	151	-	179	-	
Depreciation	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	
Other Direct Costs	30,033	3,098	1,847	1,639	362	1,173	361	-	
In-Kind Expenditures	-	-	-	-	-	21,670	-	43,504	
Total Direct Expenditures	179,079	25,107	32,235	21,579	11,007	334,811	14,597	424,464	
Shared Costs Applied	-	7,914	11,505	7,593	3,963	11,870	5,216	-	
Total Expenditures	179,079	33,021	43,740	29,172	14,970	346,681	19,813	424,464	
Excess of Revenues Over (Under) Expenditures	\$ (149,567)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2016

	Aging							
	Title III Home Delivered Meals	Title III Disease Prevention	Federal Caregiver Services	Elder Abuse	Title VII Ombudsman	USDA	CDSME 7/1/14 - 8/31/15	CDSME 2/22/16 - 8/29/16
Revenues								
Federal	\$ 171,377	\$ 15,063	\$ 96,373	\$ 3,855	\$ 6,474	\$ 161,355	\$ 4,723	\$ 854
State	34,049	2,684	32,124	-	-	-	-	-
Local	-	-	-	-	-	-	-	-
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	680	1,143	-	-	-
Local Applied to Grants	-	-	824	12	12	-	726	-
Other Revenues	-	-	-	-	-	-	-	-
Program Income	111,253	-	-	-	-	-	-	-
In-kind Revenue	18,738	62,476	-	-	-	-	-	-
Total Revenues	335,417	80,223	129,321	4,547	7,629	161,355	5,449	854
Expenditures								
Direct Expenditures								
Salaries	-	-	29,026	1,975	3,314	-	662	343
Employee Benefits	-	-	20,430	884	1,483	-	312	214
Annual Leave	-	-	1,470	104	175	-	51	21
Travel	-	-	2,131	193	323	-	-	48
Contracted Services	205,426	17,747	53,505	-	-	161,355	4,000	-
Duplicating	-	-	644	70	117	-	-	-
Postage	-	-	777	41	69	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	-	573	83	139	-	-	-
In-Kind Expenditures	129,991	62,476	-	-	-	-	-	-
Total Direct Expenditures	335,417	80,223	108,556	3,350	5,620	161,355	5,025	626
Shared Costs Applied	-	-	20,765	1,197	2,009	-	424	228
Total Expenditures	335,417	80,223	129,321	4,547	7,629	161,355	5,449	854
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2016

	Aging							FAST
	Title V Senior Employment	Kentucky Caregiver Services	Disability Resource Center	Arthritis Grant	Adult Daycare	Consumer Directed Options	Veterans Directed Care	
Revenues								
Federal	\$ 162,163	\$ -	\$ 19,980	\$ 3,500	\$ -	\$ -	\$ 51,603	\$ 2,000
State	-	87,281	19,980	-	30,723	948,344	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	93	53	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	314	-	-	-	71	-	-	230
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	19,267	-	-	-	-	-	-	-
Total Revenues	181,744	87,281	39,960	3,500	30,794	948,437	51,656	2,230
Expenditures								
Direct Expenditures								
Salaries	5,578	25,629	13,747	1,387	2,254	106,722	9,799	1,009
Employee Benefits	2,868	6,688	5,838	635	1,545	64,760	5,178	450
Annual Leave	396	317	716	103	131	5,450	499	44
Travel	167	128	1,801	-	60	13,669	365	90
Contracted Services	150,025	39,800	-	-	25,266	648,782	33,671	-
Duplicating	-	202	1	-	-	977	53	-
Postage	-	468	-	-	-	1,676	34	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	596	578	-	-	3,100	2,827	-
In-Kind Expenditures	19,267	-	-	-	-	-	-	-
Total Direct Expenditures	178,301	73,828	22,681	2,125	29,256	845,136	52,426	1,593
Shared Costs Applied	3,443	13,453	8,217	869	1,538	72,288	6,135	637
Total Expenditures	181,744	87,281	30,898	2,994	30,794	917,424	58,561	2,230
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 9,062	\$ 506	\$ -	\$ 31,013	\$ (6,905)	\$ -

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2016

	Aging							
	State Long- Term Care Ombudsman	Homecare Services	SHIP	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	Mental Health & Aging Coalition	PDI Non-Medicaid ADRC
Revenues								
Federal	\$ -	\$ -	\$ 37,065	\$ 37,363	\$ 10,695	\$ 4,532	\$ -	\$ -
State	59,016	860,840	-	-	-	-	-	21,715
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	131	4,945	68	-	-	-	-	-
Other Revenues	-	-	-	-	-	-	2,496	-
Program Income	-	52,470	-	-	-	-	-	-
In-kind Revenue	-	24,161	26	401	-	-	-	-
Total Revenues	<u>59,147</u>	<u>942,416</u>	<u>37,159</u>	<u>37,764</u>	<u>10,695</u>	<u>4,532</u>	<u>2,496</u>	<u>21,715</u>
Expenditures								
Direct Expenditures								
Salaries	25,693	71,636	863	-	4,755	2,113	-	10,608
Employee Benefits	11,500	36,221	421	-	2,295	912	-	4,525
Annual Leave	1,353	4,232	62	-	257	100	-	483
Travel	2,508	2,716	2	-	240	92	-	704
Contracted Services	-	699,325	35,262	37,363	-	-	-	-
Duplicating	911	773	-	-	103	67	-	1
Postage	534	772	-	-	36	22	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	1,076	4,948	-	-	43	-	2,496	526
In-Kind Expenditures	-	76,631	26	401	-	-	-	-
Total Direct Expenditures	<u>43,575</u>	<u>897,254</u>	<u>36,636</u>	<u>37,764</u>	<u>7,729</u>	<u>3,306</u>	<u>2,496</u>	<u>16,847</u>
Shared Costs Applied	15,572	45,162	523	-	2,966	1,226	-	6,359
Total Expenditures	<u>59,147</u>	<u>942,416</u>	<u>37,159</u>	<u>37,764</u>	<u>10,695</u>	<u>4,532</u>	<u>2,496</u>	<u>23,206</u>
Excess of Revenues Over (Under)								
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,491)</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2016

	Joint Funding Administration	Delta Regional Authority	Citizens Corp	Local Economic Development	Local Road Updates	Regional Transportation	Campbell/ Strong	Water Management/ Resources
Revenues								
Federal	\$ 84,430	\$ 17,339	\$ 15,349	\$ -	\$ 13,760	\$ -	\$ 250,926	\$ -
State	126,126	-	-	-	3,440	78,065	-	95,565
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	8,674	-	-
Local Applied to Grants	10,401	-	38	1,919	203	-	-	3,561
Other Revenues	-	-	-	269,547	-	-	21,853	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	220,957	17,339	15,387	271,466	17,403	86,739	272,779	99,126
Expenditures								
Direct Expenditures								
Salaries	91,243	6,861	3,566	107,006	8,582	42,212	8,257	41,589
Employee Benefits	49,846	3,587	1,142	49,908	3,125	14,637	3,638	19,342
Annual Leave	6,182	453	107	7,018	678	3,853	599	2,629
Travel	10,758	1,331	-	4,843	539	1,126	135	6,473
Contracted Services	-	-	-	5,619	-	-	254,780	-
Duplicating	1,881	577	22	196	-	849	-	89
Postage	714	195	2	96	1	97	-	198
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	447	-	8,516	883	-	11	503	2,990
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	161,071	13,004	13,355	175,569	12,925	62,785	267,912	73,310
Shared Costs Applied	59,886	4,335	2,032	66,540	4,478	23,643	4,867	25,816
Total Expenditures	220,957	17,339	15,387	242,109	17,403	86,428	272,779	99,126
Excess of Revenues Over (Under)								
Expenditures	\$ -	\$ -	\$ -	\$ 29,357	\$ -	\$ 311	\$ -	\$ -

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2016

	KY Dept of Agriculture Mapping Proj	Rural Business Enterprise Grant	Revolving Loan Fund	Intermediary Relending Program	Hazard Mitigation	Between the Rivers Duplex	Neighborhood Stabilization Program	Home GAP Financing
Revenues								
Federal	\$ 135,538	\$ 29,834	\$ -	\$ -	\$ 30,930	\$ -	\$ 3,652	\$ 21,700
State	14,464	-	-	-	-	-	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	11,495	34,316	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	2,164	491	-	-	10,311	-	-	-
Other Revenues	-	-	-	-	-	50,353	-	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	152,166	30,325	11,495	34,316	41,241	50,353	3,652	21,700
Expenditures								
Direct Expenditures								
Salaries	11,830	12,949	2,915	2,032	20,416	969	421	1,976
Employee Benefits	5,535	7,224	1,449	1,301	7,799	605	221	1,033
Annual Leave	956	938	196	150	1,476	93	38	182
Travel	18	282	1,057	480	163	345	49	-
Contracted Services	126,417	-	-	-	-	-	3,174	20,000
Duplicating	1	2	-	-	4	-	1	2
Postage	3	8	-	-	-	-	-	4
Depreciation	-	-	-	-	-	23,546	-	-
Interest	-	-	-	8,061	-	9,956	-	-
Other Direct Costs	109	770	1,854	159	-	16,505	-	-
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	144,869	22,173	7,471	12,183	29,858	52,019	3,904	23,197
Shared Costs Applied	7,297	8,152	1,873	1,464	11,383	640	286	1,174
Total Expenditures	152,166	30,325	9,344	13,647	41,241	52,659	4,190	24,371
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 2,151	\$ 20,669	\$ -	\$ (2,306)	\$ (538)	\$ (2,671)

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2016

	Home Ownership Counseling	Pennyrile Housing Corporation	Pennyrile Dev & Gov't Center	West Kentucky Workforce Board	Computer Services	Shared Cost Allocation	Total
Revenues							
Federal	\$ -	\$ -	\$ -	\$ 5,102,821	\$ -	\$ -	\$ 7,149,039
State	2,850	-	-	-	-	-	2,607,919
Local							
Annual Assessments	-	-	-	-	-	-	65,791
Interest Income	-	3,743	230	-	-	-	55,208
Local Match	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	8	-	-	-
Other Revenues	-	87,759	57,149	-	3,610	-	500,385
Program Income	-	-	-	-	-	-	203,657
In-kind Revenue	-	-	-	-	-	-	150,309
Total Revenues	<u>2,850</u>	<u>91,502</u>	<u>57,379</u>	<u>5,102,829</u>	<u>3,610</u>	<u>-</u>	<u>10,732,308</u>
Expenditures							
Direct Expenditures							
Salaries	175	36,401	-	652,369	844	309,623	1,754,729
Employee Benefits	115	23,643	-	255,738	233	178,561	978,093
Annual Leave	15	3,628	-	43,494	78	24,037	117,702
Travel	19	1,183	-	77,572	105	69,645	212,348
Contracted Services	-	-	-	3,505,701	-	-	6,689,974
Duplicating	-	12	-	11,111	1	4,378	24,510
Postage	-	8	-	1,774	31	5,789	14,762
Depreciation	-	-	40,734	-	-	11,395	75,675
Interest	-	1,901	11,073	-	-	-	30,991
Other Direct Costs	-	(243)	5,342	168,150	105	283,921	545,520
In-Kind Expenditures	-	-	-	-	-	-	353,966
Total Direct Expenditures	<u>324</u>	<u>66,533</u>	<u>57,149</u>	<u>4,715,909</u>	<u>1,397</u>	<u>887,349</u>	<u>10,798,270</u>
Shared Costs Applied	<u>122</u>	<u>24,933</u>	<u>-</u>	<u>386,920</u>	<u>436</u>	<u>(887,349)</u>	<u>-</u>
Total Expenditures	<u>446</u>	<u>91,466</u>	<u>57,149</u>	<u>5,102,829</u>	<u>1,833</u>	<u>-</u>	<u>10,798,270</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,404</u>	<u>\$ 36</u>	<u>\$ 230</u>	<u>-</u>	<u>\$ 1,777</u>	<u>-</u>	<u>\$ (65,962)</u>

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



THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

Members:
American Institute of
Certified Public Accountants

Kentucky Society of
Certified Public Accountants

Tennessee Society of
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Pennyriple Area Development District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pennyriple Area Development District's basic financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Thurman Campbell Group, PLC

Hopkinsville, Kentucky

January 9, 2017



THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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 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, 2016. Pennyrile Area Development District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

Report on Internal Control over Compliance

Management of Pennyriple Area Development District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pennyriple Area Development District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thurman Campbell Group, PLC

Hopkinsville, Kentucky
January 9, 2017

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Type of Auditor’s Report Issued	Unmodified
Internal Control over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified that are not Considered to be Material Weaknesses?	None Reported
Audit findings that are required to be reported in accordance with Uniform Guidance?	No

Identification of Major Programs:

- WIA/WIOA Cluster
 - CFDA #17.258 – WIA/WIOA Adult Program
 - CFDA #17.259 – WIA/WIOA Youth Activities
 - CFDA #17.278 – WIA/WIOA Dislocated Worker Formula Grant
- U.S. Department of Defense
 - CFDA #12.607 – Community Economic Adjustment Assistance for
Realignment of Closure of a Military Installation

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

Schedule II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported