

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

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2017

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

June 30, 2017

Officers

Ms. Lori Harper, Chair
Judge Donnie Carroll, Vice Chair
Mayor Scott Marshall, Secretary
Judge Perry Newcom, Treasurer
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
Wade Berry, 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 of Mortons Gap
Jenny Sewell, Board Member

Livingston County

Chris Lasher, Judge/ Executive
Crissy Carter, Citizen Representative
Billy McGee, Mayor's Designee
Rell Peck, Mayor of Salem
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
Brian Ahart, Mayor's Designee
John Sumner, Citizen Representative

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

June 30, 2017

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.
Tim Capps-Crittenden Co.
Chuck Murphy-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-Pennyrile Manufacturing
Sandra Richey-Pennyrile Manufacturing
Don Fraher-Purchase Manufacturing
Mary Beth Hudson-Purchase Manufacturing

Workforce Representatives

Robert "Bruce" Taylor-Labor-Pennyrile
Jim H. Key-Labor-Purchase
Kyle Henderson-Labor-Training
Vickie Hutcheson-KY Farmworkers Program, Inc.
Kendrianna Price-4-H
Becki Wells-Challenge House
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. Anton Reece-West KY Community & Tech
Dr. Cindy Kelley-Madisonville Community Coll.
Don Howerton-Adult Education

Government & Economic Development Reps

Mark Manning-Econ. Dev.-Purchase
Dan Bozarth-Econ. Dev.-Pennyrile
Jennifer Beck-Walker-Area Development Dist.
Gina Johnston-Office of Employment & Training
Jason Cole-Office for Vocational Rehabilitation

Other-Ex Officio (CLEOs)

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

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

June 30, 2017

Officers
Heath Duncan, Chair

Caldwell County

Gale Cherry, Director
Ellen Dunning, Judge/Executive

Christian County

Shirley Carter, Director
Gertrude Bullock, Director

Crittenden County

Todd Perryman, Director
Darrin Tabor, Director

Hopkins County

Heath Duncan, Director

Livingston County

Randell O'Bryan, Director
Barkley Gains, Director

Lyon County

Lilburn Ann Denney, Director
Gerald Board, Director

Muhlenberg County

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, 2017

Officers

Roger Jeffers, Chair
David Shore, Vice Chair
Cecil Mallory, Secretary/ Treasurer

Caldwell County
Sherman Chaudoin

Christian County
Roger Jeffers

Muhlenberg County
Eddie DeArmond

Todd County
Cecil Mallory

Trigg County
David Shore



THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

Members:
American Institute of
Certified Public Accountants

Kentucky Society of
Certified Public Accountants

Tennessee Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2017, 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, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Revenues, Expenses, and Changes in Net Position 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 are 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 Revenues, Expenses, and Changes in Net Position 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 Revenues, Expenses, and Changes in Net Position by Program – Statutory Basis and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 8, 2018, 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 8, 2018

**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, 2017. 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 \$466,130 at June 30, 2017. The Component Unit’s assets and deferred outflows were exceeded by the liabilities and deferred inflows of resources by \$56,593 at June 30, 2017.
- The District’s business-type activities total net position decreased by \$41,572 during the year as a result of the pension liability adjustment of \$170,514. The Component Unit’s total net position decreased by \$10,180 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, Expenses 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 \$466,130 at June 30, 2017. 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:

Pennyrile Area Development District Net Position						
	Business-type Activities		Component Unit Activities		Total	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Assets						
Current and Other Assets	\$ 4,587,052	\$ 4,691,992	\$ 615,280	\$ 547,892	\$ 5,202,332	\$ 5,239,884
Capital Assets	813,751	823,036	403,470	379,923	1,217,221	1,202,959
Total Assets	<u>5,400,803</u>	<u>5,515,028</u>	<u>1,018,750</u>	<u>927,815</u>	<u>6,419,553</u>	<u>6,442,843</u>
Deferred Outflows or Resources						
Pension Deferred Outflows	635,430	812,692	-	-	635,430	812,692
Total Deferred Outflows or Resources	<u>635,430</u>	<u>812,692</u>	<u>-</u>	<u>-</u>	<u>635,430</u>	<u>812,692</u>
Liabilities						
Current and Other Liabilities	756,831	830,886	433,900	396,687	1,190,731	1,227,573
Net Pension Liability	3,377,279	3,666,933	-	-	3,377,279	3,666,933
Long-Term Liabilities	1,274,759	1,181,965	624,481	581,084	1,899,240	1,763,049
Total Liabilities	<u>5,408,869</u>	<u>5,679,784</u>	<u>1,058,381</u>	<u>977,771</u>	<u>6,467,250</u>	<u>6,657,555</u>
Deferred Inflows of Resources						
Deferred Revenue	29,200	33,222	6,782	6,637	35,982	39,859
Deferred Pension Inflow	65,526	148,584	-	-	65,526	148,584
Total Deferred Inflows of Resources	<u>94,726</u>	<u>181,806</u>	<u>6,782</u>	<u>6,637</u>	<u>101,508</u>	<u>188,443</u>
Net Position						
Net Investment in Capital Assets	237,749	261,502	(75,949)	(80,306)	161,800	181,196
Restricted:						
Revolving Loan Fund	190,000	190,000	-	-	190,000	190,000
Intermediary Relending Program	590,763	611,434	-	-	590,763	611,434
Unrestricted	(485,874)	(596,806)	29,536	23,713	(456,338)	(573,093)
Total Net Position	<u>\$ 532,638</u>	<u>\$ 466,130</u>	<u>\$ (46,413)</u>	<u>\$ (56,593)</u>	<u>\$ 486,225</u>	<u>\$ 409,537</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, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Revenues				
Program Revenues				
Charges for Services	\$ 424,431	\$ 804,957	\$ 144,810	\$ 55,266
Operating Grants and Contributions	4,952,643	5,121,793	5,131,602	5,248,366
General Revenues				
Annual Assessments	65,791	65,791	-	-
Interest Earned	8,953	11,163	536	847
Other Revenues	7,606	12,191	-	75
Total Revenues	<u>5,459,424</u>	<u>6,015,895</u>	<u>5,276,948</u>	<u>5,304,554</u>
Expenses				
General & Administrative	226,976	245,571	-	-
Community/Economic Development	747,100	812,488	-	-
Transportation Services	448,175	104,868	-	-
Aging & Independent Living Services	4,066,005	4,858,036	-	-
Revolving Loan Fund	9,343	6,287	-	-
Intermediary Relending Program	5,583	5,774	-	-
Pennyrile Housing Corporation	-	-	165,332	278,931
West Kentucky Workforce Board	-	-	5,102,829	5,024,597
Interest on Long-Term Debt	19,134	24,443	11,857	11,206
Total Expenses	<u>5,522,316</u>	<u>6,057,467</u>	<u>5,280,018</u>	<u>5,314,734</u>
Change in Net Position	(62,892)	(41,572)	(3,070)	(10,180)
Net Position - Beginning (Previously Reported)	745,667	532,638	(43,343)	(46,413)
Prior Period Adjustment (Note 9)	(150,137)	(24,936)	-	-
Net Position - Beginning (restated)	<u>595,530</u>	<u>507,702</u>	<u>(43,343)</u>	<u>(46,413)</u>
Net Position - Ending	<u>\$ 532,638</u>	<u>\$ 466,130</u>	<u>\$ (46,413)</u>	<u>\$ (56,593)</u>

Changes in Net Position – Business-type Activities. Net position decreased by \$41,572 in the fiscal year 2017. Key elements of the decrease are as follows:

Total revenues were \$6,015,895, an increase of 10.19% 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 \$6,057,467, an increase of 10% from the previous year. Of this, the major functions include aging and independent living services and community and economic development services. Together they comprise 94% of the total program expenditures.

The agency recorded a prior period adjustment of (\$24,936) 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 \$279,957, an increase of 61% 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 \$290,137 an increase of 64% from the previous year.

2. The WKWB’s total revenues were \$5,024,597, a decrease of 2% from the prior year. The WKWB did not have any general revenues during the 2017 or 2016 fiscal years.

Expenditures totaled \$5,024,597, a decrease of 2% from the previous year.

CAPITAL ASSETS

The District’s business-type activities investment in capital assets as of June 30, 2017 is \$823,036 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

	Business-Type Activities		Component Unit Activities		Total	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Land	9,988	9,988	-	-	9,988	9,988
Buildings and Improvement	1,357,042	1,357,042	647,518	647,518	2,004,560	2,004,560
Office Furniture and Equipment	227,008	233,006	25,506	25,506	252,514	258,512
Computer and Equipment	195,844	245,972	233,889	233,889	429,733	479,861
Vehicles	102,850	102,693	-	-	102,850	102,693
Construction in Progress	-	-	3,186	3,186	3,186	3,186
	<u>1,892,732</u>	<u>1,948,701</u>	<u>910,099</u>	<u>910,099</u>	<u>2,802,831</u>	<u>2,858,800</u>
Less Accumulated Depreciation	<u>(1,078,981)</u>	<u>(1,125,665)</u>	<u>(506,629)</u>	<u>(530,175)</u>	<u>(1,585,610)</u>	<u>(1,655,840)</u>
Total Net Capital Assets	<u>813,751</u>	<u>823,036</u>	<u>403,470</u>	<u>379,924</u>	<u>1,217,221</u>	<u>1,202,960</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 \$1,274,800 in outstanding notes and program debt, compared to \$1,366,201 at June 30, 2016. The component units had \$624,251 in outstanding notes and program debt, compared to \$667,002 at June 30, 2016.

The Pennyrile Development and Governmental Center, blended component until, had \$551,548 in outstanding notes at June 30, 2017 compared to \$566,015 at June 30, 2016. This amount is included in the total business-type activities debt listed above.

During the year, \$14,467 was paid to reduce the debt outstanding related to the building addition, \$76,934 was paid to reduce re-lending program debts, and \$19,189 was paid to reduce the loan for the PHC apartment duplex located in Grand Rivers, Kentucky.

The Pennyrile Housing Corporation’s payments to the Kentucky Housing Corporation for the Nonprofit Housing Production loans were \$23,561. 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, 2017.

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

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

ECONOMIC FACTORS

During the 2017 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.

Respectfully Submitted,

Jason Vincent

Jason Vincent, Executive Director

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Component Units</u>			Total PADD & Component Units
	Pennyrile Area Development District	Pennyrile Housing Corporation	West Kentucky Workforce Board	
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,537,840	\$ 221,135	\$ 1,621	\$ 1,760,596
Program Receivables	980,907	33,883	450,810	1,465,600
Receivables Due from (to) Component Units	205,807	(101,323)	(104,484)	-
Other Current Assets	25,727	-	-	25,727
Total Current Assets	2,750,281	153,695	347,947	3,251,923
Non-Current Assets:				
Certificates of Deposit	838,642	-	-	838,642
Notes Receivable, Due Within One-Year	178,152	7,206	-	185,358
Notes Receivable, Due in More Than One Year	924,917	39,043	-	963,960
Depreciable Capital Assets, Net	813,048	376,738	-	1,189,786
Non-Depreciable Capital Assets	9,988	3,186	-	13,174
Total Non-Current Assets	2,764,747	426,173	-	3,190,920
Total Assets	5,515,028	579,868	347,947	6,442,843
<u>Deferred Outflows of Resources</u>				
Deferred Outflows Related to Pensions	812,692	-	-	812,692
Total Deferred Outflows of Resources	812,692	-	-	812,692
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	458,653	2,492	343,228	804,373
Grants Payable	13,624	-	-	13,624
Other Current Liabilities	101,587	3,081	4,719	109,387
Current Portion of Accrued Annual Leave	110,214	-	-	110,214
Current Portion of Long Term Debt	92,835	43,167	-	136,002
Total Current Liabilities	776,913	48,740	347,947	1,173,600
Non-Current Liabilities:				
Accrued Annual Leave	53,973	-	-	53,973
Net Pension Liability	3,666,933	-	-	3,666,933
Long Term Debt Less Current Portion	1,181,965	581,084	-	1,763,049
Total Non-Current Liabilities	4,902,871	581,084	-	5,483,955
Total Liabilities	5,679,784	629,824	347,947	6,657,555
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue	33,222	6,637	-	39,859
Deferred Inflows Related to Pensions	148,584	-	-	148,584
Total Deferred Inflows of Resources	181,806	6,637	-	188,443
<u>Net Position</u>				
Net Investment in Capital Assets	261,502	(80,306)	-	181,196
Restricted:				
Revolving Loan Fund	190,000	-	-	190,000
Intermediary Relending Program	611,434	-	-	611,434
Unrestricted (Deficit)	(596,806)	23,713	-	(573,093)
Total Net Position	\$ 466,130	\$ (56,593)	\$ -	\$ 409,537

The accompanying notes are an integral part of the financial statements

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Component Units</u>			Total PADD & Component Units
	Pennyrile Area Development District	Pennyrile Housing Corporation	West Kentucky Workforce Board	
Operating Revenues				
Charges for Services	\$ 747,542	\$ 55,266	\$ -	\$ 802,808
Rent	57,415	-	-	57,415
Grants	5,121,793	223,844	5,024,522	10,370,159
Annual Assessments	65,791	-	-	65,791
Other Revenues	12,191	-	75	12,266
Total Operating Revenues	<u>6,004,732</u>	<u>279,110</u>	<u>5,024,597</u>	<u>11,308,439</u>
Operating Expenditures				
General & Administrative	245,571	-	-	245,571
Community/Economic Development	812,488	-	-	812,488
Transportation Services	104,868	-	-	104,868
Aging Services	4,858,036	-	-	4,858,036
Revolving Loan Fund	6,287	-	-	6,287
Intermediary Relending Program	5,774	-	-	5,774
Pennyrile Housing Corporation	-	278,931	-	278,931
West KY Workforce Board	-	-	5,024,597	5,024,597
Total Operating Expenditures	<u>6,033,024</u>	<u>278,931</u>	<u>5,024,597</u>	<u>11,336,552</u>
Operating Income (Loss)	<u>(28,292)</u>	<u>179</u>	<u>-</u>	<u>(28,113)</u>
Non-operating Revenues (Expenditures)				
Interest Income	11,163	847	-	12,010
Interest Expense	(24,443)	(11,206)	-	(35,649)
Total Non-operating Revenues (Expenditures)	<u>(13,280)</u>	<u>(10,359)</u>	<u>-</u>	<u>(23,639)</u>
Net Change in Net Position	<u>(41,572)</u>	<u>(10,180)</u>	<u>-</u>	<u>(51,752)</u>
Net Position - Beginning (Previously Reported)	532,638	(46,413)	-	486,225
Prior Period Adjustment (Note 9)	(24,936)	-	-	(24,936)
Net Position - Beginning (Restated)	<u>507,702</u>	<u>(46,413)</u>	<u>-</u>	<u>461,289</u>
Net Position - Ending	<u>\$ 466,130</u>	<u>\$ (56,593)</u>	<u>\$ -</u>	<u>\$ 409,537</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, 2017

	<u>Component Units</u>			Total PADD & Component Units
	Pennyrile Area Development District	Pennyrile Housing Corporation	West KY Workforce Board	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Grantor Agencies	\$ 5,015,633	\$ 223,107	\$ 5,115,910	\$ 10,354,650
Other Cash Received	882,939	58,278	-	941,217
Payments to Suppliers & Providers of Program Services	(4,299,611)	(205,944)	(4,001,604)	(8,507,159)
Payments for Employees Services and Benefits	(1,342,687)	(87,329)	(1,114,619)	(2,544,635)
Net Cash Provided/(Used) by Operating Activities	<u>256,274</u>	<u>(11,888)</u>	<u>(313)</u>	<u>244,073</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(103,587)	-	-	(103,587)
Sale of Capital Assets	15,202	-	-	15,202
Interest Expense	(24,129)	(11,206)	-	(35,335)
Principal Payment on Long-Term Debt	(91,401)	(42,751)	-	(134,152)
Net Cash Used in Capital and Related Financing Activities	<u>(203,915)</u>	<u>(53,957)</u>	<u>-</u>	<u>(257,872)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	7,421	847	-	8,268
Net Cash Provided by Investing Activities	<u>7,421</u>	<u>847</u>	<u>-</u>	<u>8,268</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	59,780	(64,998)	(313)	(5,531)
Cash and Cash Equivalents - Beginning of Year	<u>2,316,702</u>	<u>286,133</u>	<u>1,934</u>	<u>2,604,769</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,376,482</u>	<u>\$ 221,135</u>	<u>\$ 1,621</u>	<u>2,599,238</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating Income	\$ (28,292)	\$ 179	\$ -	\$ (28,113)
Depreciation Expenses	81,301	23,546	-	104,847
Gain on Sale of Assets	(2,202)	-	-	(2,202)
GASB 68 Pension Expense Adjustment	170,516	-	-	170,516
Decrease (Increase) in Assets:				
Receivables, Net	(259,343)	2,733	91,238	(165,372)
Other Current Assets	(15,029)	(313)	-	(15,342)
Loans Receivable	141,313	-	-	141,313
Increase (Decrease) in Liabilities:				
Accounts and Other Payables	62,692	(275)	(34,243)	28,174
Grants Payable	310	-	-	310
Change in Due/To From	91,640	(36,601)	(54,979)	60
Other Current Liabilities	(7,633)	(1,012)	(2,329)	(10,974)
Accrued Leave	9,131	-	-	9,131
Unearned Revenue	11,870	(145)	-	11,725
Net Cash Provided/(Used) by Operating Activities	<u>\$ 256,274</u>	<u>\$ (11,888)</u>	<u>\$ (313)</u>	<u>\$ 244,073</u>

The accompanying notes are an integral part of the financial statements

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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 revenue. All other revenue are recognized as operating.

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, 2017

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, 2017.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

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, 2017, these liabilities included \$164,187 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 \$812,692 in deferred outflows of resources for fiscal year ended June 30, 2017 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 \$181,806 in deferred inflows of resources for fiscal year ended June 30, 2017 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, 2017

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 \$611,434 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, 2017

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 8, 2018 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".

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

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, 2017 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	\$ 2,311,853	\$ 477,029	\$ 1,834,824
Blended Component Unit - PDGC	22,971	22,971	-
Component Unit - PHC	222,163	222,163	-
Component Unit - WKWB	85,263	64,671	20,592
Total	<u>\$ 2,642,250</u>	<u>\$ 786,834</u>	<u>\$ 1,855,416</u>

3. Capital Assets

Capital asset activity of the District for the year ended June 30, 2017, consisted of the following:

	Balance June 30, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
Business-type Activities				
Land	\$ 9,988	\$ -	\$ -	\$ 9,988
Buildings and Improvements	1,357,042	-	-	1,357,042
Office Furniture and Equipment	227,008	5,998	-	233,006
Computers and Equipment	195,844	50,128	-	245,972
Vehicles	102,850	47,461	(47,618)	102,693
Total	1,892,732	103,587	(47,618)	1,948,701
Less Accumulated Depreciation	(1,078,981)	(81,302)	34,618	(1,125,665)
Total Business-type Activities	<u>\$ 813,751</u>	<u>\$ 22,285</u>	<u>\$ (13,000)</u>	<u>\$ 823,036</u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

3. Capital Assets, Continued

A summary of the component units fixed asset transactions for the year ended June 30, 2017, follows:

	Balance June 30, 2016	Additions/ Transfers	Deletions Transfers	Balance June 30, 2017
Component 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	910,099	-	-	910,099
Less Accumulated Depreciation	(506,629)	(23,546)	-	(530,175)
Total Component Unit Activities	\$ 403,470	\$ (23,546)	\$ -	\$ 379,924

For the year ended June 30, 2017, depreciation on capital assets was charged or allocated as follows:

General & Administrative	\$ 23,698
Community/Economic Development	3,409
Transportation Services	523
Aging Services	5,456
Revolving Loan Fund	61
Intermediary Relending Program	58
Pennyrile Development and Gov't Center	41,374
West Kentucky Workforce Board	6,723
Pennyrile Housing Corporation	23,546
Total Depreciation Expense	<u>\$ 104,848</u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

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, 2017:

	Balance			Balance	
	<u>6/30/2016</u>	<u>Additions</u>	<u>Payments</u>	<u>6/30/2017</u>	<u>Due 1 Year</u>
<u>Business-type</u>					
Compensated Absences	\$ 155,056	\$ 124,577	\$ 115,446	\$ 164,187	\$ 110,214
USDA	800,186	-	76,934	723,252	77,745
KACO	566,015	-	14,467	551,548	15,090
Total Governmental	<u>1,521,257</u>	<u>124,577</u>	<u>206,847</u>	<u>1,438,987</u>	<u>203,049</u>
<u>Component Units</u>					
KHC	3,215	-	1,076	2,139	1,076
KHC	5,052	-	1,263	3,789	1,263
KHC	9,478	-	1,896	7,582	1,896
KHC	21,096	-	3,516	17,580	3,516
KHC	22,444	-	3,206	19,238	3,206
KHC	26,140	-	3,268	22,872	3,267
KHC	24,228	-	2,423	21,805	2,423
KHC	20,497	-	2,050	18,447	2,050
KHC	6,202	-	564	5,638	564
KHC	5,654	-	471	5,183	471
KHC	14,787	-	1,022	13,765	1,031
KHC	26,601	-	1,713	24,888	1,729
KHC	2,188	-	1,094	1,094	1,094
KHC	479,420	-	19,189	460,231	19,581
Total Component Units	<u>667,002</u>	<u>-</u>	<u>42,751</u>	<u>624,251</u>	<u>43,167</u>
Total	<u>\$ 2,188,259</u>	<u>\$ 124,577</u>	<u>\$ 249,598</u>	<u>\$ 2,063,238</u>	<u>\$ 246,216</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017**

4. Non-Current Liabilities, Continued

Non-current liabilities at June 30, 2017, are comprised of the following:

Business-type			
<u>Notes and Leases Payable</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance 6/30/2017</u>
USDA	1.00%	2027	\$ 723,252
Kentucky Association of Counties	3.86%	2037	551,548
Total Business-type Activities			<u>1,274,800</u>
Component Units			
<u>Notes and Leases Payable</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance 6/30/2017</u>
Kentucky Housing Corporation	1.00%	2017	1,094
Kentucky Housing Corporation	1.00%	2018	2,139
Kentucky Housing Corporation	1.00%	2019	3,789
Kentucky Housing Corporation	1.00%	2019	13,765
Kentucky Housing Corporation	1.00%	2020	7,582
Kentucky Housing Corporation	1.00%	2021	17,580
Kentucky Housing Corporation	1.00%	2022	19,238
Kentucky Housing Corporation	1.00%	2023	22,872
Kentucky Housing Corporation	1.00%	2024	21,805
Kentucky Housing Corporation	1.00%	2025	18,447
Kentucky Housing Corporation	1.00%	2026	5,638
Kentucky Housing Corporation	1.00%	2027	5,183
Kentucky Housing Corporation	1.00%	2031	24,888
Kentucky Housing Corporation	2.00%	2036	460,231
Total Component Units			<u>624,251</u>
Total Long-Term Debt			<u>\$ 1,899,051</u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

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>
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	80,901	4,099	85,000
2023-2026	<u>326,677</u>	<u>7,692</u>	<u>334,369</u>
Totals	<u>\$ 723,252</u>	<u>\$ 36,117</u>	<u>\$ 759,369</u>

Business-type Activities - Leases Payable			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 15,090	\$ 23,486	\$ 38,576
2019	15,745	22,833	38,578
2020	16,388	22,189	38,577
2021	17,125	21,452	38,577
2022	97,325	95,558	192,883
2023-2027	120,186	72,696	192,882
2028-2032	148,403	44,479	192,882
2033-2037	<u>121,286</u>	<u>3,454</u>	<u>124,740</u>
Totals	<u>\$ 551,548</u>	<u>\$ 306,147</u>	<u>\$ 857,695</u>

Component Activities - Notes Payables			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 43,167	\$ 11,414	\$ 54,581
2019	42,143	10,799	52,942
2020	41,484	10,145	51,629
2021	40,678	9,548	50,226
2022	174,474	10,982	185,456
2023-2027	136,621	33,597	170,218
2028-2032	135,436	21,287	156,723
2033-2037	<u>10,248</u>	<u>8,231</u>	<u>18,479</u>
Totals	<u>\$ 624,251</u>	<u>\$ 116,003</u>	<u>\$ 740,254</u>

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

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 \$551,548 at June 30, 2017.

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, 2017

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, 2017 to the CERS were \$345,077 which is 18.68% of covered payroll and any additional required payments. The contribution rate of 18.68% is comprised of amounts for pension and insurance benefits, 13.95% or \$257,699 was allocated to pensions, 4.73% or \$87,378 was allocated to insurance. 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, 2017, the District reported a liability of \$3,666,933 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, relative to the contributions of all members for the year ended June 30, 2016. At the June 30, 2016 measurement date, District's proportion was 0.07448% as shown for CERS on the report submitted on February 27, 2017.

Pension expense. For the year ended June 30, 2017, District recognized a pension expense of \$428,214.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

5. Pensions Plan, Continued

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, 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	\$ 16,009	\$ -
Change of assumptions	194,255	-
Net difference between projected and actual earnings on plan investments	344,729	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	148,584
Employer contributions subsequent to the measurement date	257,699	-
	\$ 812,692	\$ 148,584

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
2018	2018	\$	134,760
2019	2019		79,308
2020	2020		115,769
2021	2021		76,572
2022	2022		-
			\$ 406,409

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, 2016 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, 2017**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017**

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 of projected compensation over the remaining 27-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 (8.50%) 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	\$ 4,569,814	\$ 3,666,933	\$ 2,893,315

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued CERS financial report and can be found at www.kyret.ky.gov. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. The aforementioned report discloses the plans basis of accounting, policies and valuation methods of the plan's assets.

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 further 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, 2017

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, are 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 employee 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.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2017

8. Cost Allocation Plan, Continued

- b. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities:
- i. Executive Director
 - ii. Administrative Officer
 - iii. Executive Assistant
 - iv. Accounting Clerks
 - v. Website Developer
 - vi. Computer Manager
 - vii. Receptionist

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.

- c. 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, 2017

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, 2017

8. Cost Allocation Plan, Continued

For fiscal year ended June 30, 2017, the shared cost categories that were allocated to all of the programs are as follows:

Salaries	\$ 292,997
Employee Benefits	148,963
Annual Leave	25,342
Travel	70,573
Duplication	4,773
Postage	4,877
Depreciation	17,883
Other Indirect Costs	<u>286,356</u>
 Total Shared Costs	 <u><u>\$ 851,764</u></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 \$24,936 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>	<u>2017</u>
Total net pension liability (asset) for County Employee Retirement System	\$ 324,437,700	\$4,299,525,565	\$4,923,618,237
Pennyriple Area Development District's proportion of the net pension liability	0.081091%	0.07855%	0.07448%
Pennyriple Area Development District's proportionate share of the net pension liability	\$ 2,630,890	\$ 3,377,279	\$ 3,666,933
Pennyriple Area Development District's covered-employee payroll	\$ 1,832,682	\$ 1,809,116	\$ 1,847,307
Pennyriple Area Development District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.55%	186.68%	198.50%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	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>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 255,613	\$ 233,667	\$ 224,692	\$ 257,699
Contribution in relation to the actuarially determined contribution	255,613	233,667	224,692	257,699
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pennyrile Area Development District's covered-employee payroll	\$ 1,860,356	\$ 1,832,682	\$ 1,809,116	\$ 1,847,307
Contributions as a percentage of Pennyrile Area Development District's covered-employee payroll	13.74%	12.75%	12.42%	13.95%

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 2018, determined as of July 1, 2016. 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	27 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, 2017

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Passed 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	-	\$ 753,919
Child and Adult Care Food Program	10.558	MOA	-	173,066
Total U.S. Department of Agriculture			-	926,985
<u>U.S. Department of Commerce</u>				
Passed-Through Department for Local Government				
Joint Funding Administration	11.302	MOA	-	97,657
Passed-Through Economic Development Administration				
Economic Adjustment Assistance (RLF) (Note 5)	11.307	04-79-06079	-	489,862
Total U.S. Department of Commerce			-	587,519
<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	-	118,084
Total U.S. Department of Defense			-	118,084
<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 1600001203 1	165,788	276,421
Title III Part C - Nutrition Services	93.045	PON2 725 1600001203 1	484,630	528,322
Nutrition Services Incentive	93.053	PON2 725 1700000099 1	131,243	131,243
Total Aging Cluster			781,661	935,986
Title III Part D - Disease Prevention	93.043	PON2 725 1600001203 1	14,982	14,982
Title III Part E - Caregiver Support	93.052	PON2 725 1600001203 1	-	108,923
Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations	93.779	PON2 725 1600001180 1	24,443	25,803
Medical Assistance Program	93.778	PON2 725 1600001210 1	-	19,098
Title VII - Ombudsman	93.042	PON2 725 1600001202 1	-	6,366
Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON2 725 1600001202 1	-	3,821
Assistance Programs for Chronic Disease Prevention & Control	93.945	PON2 725 1600001213 1	-	759
Public Health Emergency Preparedness	93.069	PON2 725 1600001212 1	-	2,000
Chronic Disease Self-Management Education	93.725	PON2 725 1600001141 1	6,000	8,145
Medicare Enrollment Assistance Program	93.071	PON2 725 1700000082 2	16,207	36,810
Total U.S. Department of Health and Human Services			843,293	1,162,693
<u>U.S. Department of Homeland Security</u>				
Passed-Through Kentucky Office of Homeland Security				
Citizens Corp Personnel	97.067	PO2 094 1700001323 2	-	5,447
Flood Mitigation Assistance	97.029	PO2 095 1400003744 1	-	18,971
Pre-Disaster Mitigation	97.047	PO2 095 1400002606 1	-	15,748
Total U.S. Department of Homeland Security			-	40,166
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through Kentucky Housing Corporation				
Home Investment Partnerships Program	14.239	MOA*	-	86,079
Passed-Through Kentucky Department for Local Government				
Neighborhood Stabilization Program	14.228	14N-019	-	3,071
Total U.S. Department of Housing and Urban Development			-	89,150

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Labor				
Passed-Through Kentucky Cabinet for Health and Family Services Senior Community Service Employment Title V Aging	17.235	PON2 725 1600001201 1	168,057	180,895
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	144,890	540,104
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training				
Workforce Innovation and Opportunity Act Adult Program	17.258	27316	39,560	415,235
Workforce Innovation and Opportunity Act Adult Program	17.258	27017	25,270	124,770
Workforce Innovation and Opportunity Act Adult Program	17.258	27317	86,288	566,521
Workforce Innovation and Opportunity Act Youth Activities	17.259	27416	40,466	538,369
Workforce Innovation and Opportunity Act Youth Activities	17.259	27417	29,250	477,139
Workforce Innovation and Opportunity National Dislocated Worker Grants/Workforce Investment Act National Emergency Grants	17.277	258GO15		55,068
Workforce Innovation and Opportunity National Dislocated Worker Grants/Workforce Investment Act National Emergency Grants	17.277	258PW17		9,683
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants	17.278	272W5		9,126
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants	17.278	271W5	133,267	212,956
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants	17.278	27216		1,976
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants	17.278	27116	131,403	488,712
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants	17.278	27217	56,221	139,728
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants	17.278	27117	33,846	178,624
Total WIOA Cluster			720,461	3,758,011
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce Investment, Office of Employment and Training (Note 6)				
Trade Adjustment Assistance	17.245	20514		158,830
Trade Adjustment Assistance	17.245	20515		456,880
Trade Adjustment Assistance	17.245	20516		650,801
Total U.S. Department of Labor			888,518	5,205,417
U.S. Department of Transportation				
Passed-Through Kentucky Transportation Cabinet Highway Planning and Construction	20.205	PO2-625 1700001490	-	13,760
Total U.S. Department of Transportation			-	13,760
U.S. Department of Veterans Affairs				
VHA Home Care	64.044	MOA	-	560,651
Total U.S. Department of Veterans Affairs			-	560,651
Delta Regional Authority				
Passed-Through Department for Local Government Delta Regional Authority Act - Technical Assistance	90.200	SF424	-	21,273
Total Delta Regional Authority			-	21,273
Total Federal Award Expenditures			<u>\$ 1,731,811</u>	<u>\$ 8,725,698</u>
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, 2017			\$	475,421
Cash and investment balance in RLF at June 30, 2017				158,631
Administrative expenses paid out of RLF in year ended June 30, 2017				6,290
Total				640,342
Federal share of RLF			X	76.5%
Total amount reported on SEFA for RLF			\$	489,862
(IRP) Grant				
Balance of IRP notes payable outstanding at June 30, 2017			\$	723,252
Interest revenue as of June 30, 2017				30,667
Total amount reported on SEFA for IRP			\$	753,919

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

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, 2017 was \$ 1,243,781.

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	\$ 7,484,480
Intermediary Relending Programs	753,919
RLF Project Funds	489,862
Unexpended Funds	<u>(2,563)</u>
 Federal Expenditures	 <u><u>\$ 8,725,698</u></u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

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	\$ 4,484,295
Increases (Decreases)	
Direct Funding from Workforce Investment Opportunity Act	
National Emergency Grant	540,104
Deferred Revenue 6/30/17	<u>123</u>
Workforce Board Expenditures	<u><u>\$ 5,024,522</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
BETWEEN THE RIVERS DUPLEX
JUNE 30, 2017

Assets

Accounts Receivable	\$ 4,251
Non-Current Assets	
Depreciable Capital Assets, Net	<u>376,738</u>
Total Assets	<u><u>380,989</u></u>

Liabilities

Accounts Payable	223
Other Current Liabilities	29,941
Non-Current Liabilities:	
Due Within One Year	19,582
Due in More Than One Year	<u>440,649</u>
Total Liabilities	<u><u>490,395</u></u>

Net Positions

Net Investment in Capital Assets	(83,493)
Unrestricted (Deficit)	(25,913)
Restricted	<u>-</u>
Total Net Position	<u><u>\$ (109,406)</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BETWEEN THE RIVERS DUPLEX
FOR THE YEAR ENDED JUNE 30, 2017

Operating Revenues

Rent	\$ 48,602
Other Revenues	<u>3,525</u>
Total Operating Revenues	<u>52,127</u>

Operating Expenses

Salaries	1,500
Annual Leave	144
Employee Benefits	1,075
Travel	448
Depreciation	23,546
Write-Off Expense	2,126
Other Direct Costs	18,006
Indirect Costs Applied	<u>1,018</u>
Total Operating Expenses	<u>47,863</u>

Operating Income	<u>4,264</u>
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Non-Operating Revenues (Expenses)

Interest Expense	<u>(9,544)</u>
Total Non-Operating Revenues (Expenses)	<u>(9,544)</u>

Change in Net Position	(5,280)
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Net Position - Beginning	<u>(104,126)</u>
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Net Position - Ending	<u><u>\$ (109,406)</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, 2017

	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	\$ -	\$ 22,128	\$ 27,297	\$ 16,395	\$ 10,064	\$ 237,563	\$ 16,731	\$ 253,739	
State	-	8,174	10,632	14,101	5,033	107,863	2,965	58,862	
Local									
Annual Assessments	65,791	-	-	-	-	-	-	-	
Interest Income	6,279	-	-	-	-	-	-	-	
Local Match	(10,472)	-	-	-	-	-	-	-	
Local Applied to Grants	(44,686)	-	199	-	147	11,483	-	-	
Other Revenues	11,506	-	-	-	-	-	-	-	
Program Income	-	-	-	-	-	7,296	-	143,344	
In-kind Revenue	-	-	-	-	-	5,400	-	12,870	
Total Revenues	28,418	30,302	38,128	30,496	15,244	369,605	19,696	468,815	
Expenditures									
Direct Expenditures									
Salaries	-	10,995	14,116	11,109	6,382	23,736	8,788	-	
Employee Benefits	170,514	5,992	8,077	6,127	3,326	11,946	3,919	-	
Annual Leave	-	762	990	757	480	1,184	539	-	
Travel	4,028	989	961	844	35	1,087	587	-	
Contracted Services	-	-	-	-	-	302,367	-	312,601	
Duplicating	-	326	326	326	326	3	314	-	
Postage	-	317	317	317	317	-	159	-	
Depreciation	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	
Other Direct Costs	27,745	4,253	4,731	4,323	582	2,633	471	-	
In-Kind Expenditures	-	-	-	-	-	12,698	-	156,214	
Total Direct Expenditures	202,287	23,634	29,518	23,803	11,448	355,654	14,777	468,815	
Shared Costs Applied	-	6,668	8,610	6,693	3,796	13,951	4,919	-	
Total Expenditures	202,287	30,302	38,128	30,496	15,244	369,605	19,696	468,815	
Excess of Revenues Over (Under) Expenditures	\$ (173,869)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2017

	Aging							
	Title III Home Delivered Meals	Title III Disease Prevention	Federal Caregiver Services	Title VII Elder Abuse	Title VII Ombudsman	CDSME 7/1/16 - 8/29/16	NSIP	Title V Senior Employment
Revenues								
Federal	\$ 230,891	\$ 14,982	\$ 98,859	\$ 3,821	\$ 6,366	\$ 8,145	\$ 131,243	\$ 180,895
State	48,575	4,157	35,561	-	-	-	-	-
Local	-	-	-	-	-	-	-	-
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	674	1,123	-	-	-
Local Applied to Grants	-	-	2,903	-	-	455	-	-
Other Revenues	-	-	-	-	-	-	-	-
Program Income	5,644	-	-	-	-	-	-	-
In-kind Revenue	164,960	842	-	-	-	-	4,406	30,782
Total Revenues	450,070	19,981	137,323	4,495	7,489	8,600	135,649	211,677
Expenditures								
Direct Expenditures								
Salaries	-	-	29,790	2,006	3,342	1,141	-	5,305
Employee Benefits	-	-	16,075	894	1,490	683	-	2,804
Annual Leave	-	-	1,444	123	205	65	-	355
Travel	-	-	2,423	134	223	-	-	26
Contracted Services	279,466	19,139	66,021	-	-	6,000	131,243	168,057
Duplicating	-	-	726	72	119	-	-	-
Postage	-	-	705	36	61	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	-	2,321	107	179	-	-	1,185
In-Kind Expenditures	170,604	842	-	-	-	-	4,406	30,782
Total Direct Expenditures	450,070	19,981	119,505	3,372	5,619	7,889	135,649	208,514
Shared Costs Applied	-	-	17,818	1,123	1,870	711	-	3,163
Total Expenditures	450,070	80,223	137,323	4,495	7,489	8,600	135,649	211,677
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2017

	Aging							MIPPA SHIP
	Kentucky Caregiver Services	Disability Resource Center	Arthritis Grant	FAST	State Long- Term Care Ombudsman	Homecare Services	SHIP	
Revenues								
Federal	\$ -	\$ 19,098	\$ 3,000	\$ 2,000	\$ -	\$ -	\$ 25,803	\$ 16,208
State	78,714	19,098	-	-	58,676	867,023	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	19	-	1,641	2	-
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	10,474	-	-
In-kind Revenue	-	-	-	-	-	51,464	81	-
Total Revenues	78,714	38,196	3,000	2,019	58,676	930,602	25,886	16,208
Expenditures								
Direct Expenditures								
Salaries	22,467	11,976	232	702	26,181	73,195	622	-
Employee Benefits	6,052	5,299	100	364	11,675	39,600	322	-
Annual Leave	271	563	11	36	1,606	4,560	43	-
Travel	174	546	-	3	1,749	3,994	-	-
Contracted Services	37,102	-	-	-	-	689,018	24,444	16,208
Duplicating	273	4	-	-	936	873	-	-
Postage	639	1	-	-	475	846	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	633	2,115	287	519	1,401	12,991	-	-
In-Kind Expenditures	-	-	-	-	-	61,938	81	-
Total Direct Expenditures	67,611	20,504	630	1,624	44,023	887,015	25,512	16,208
Shared Costs Applied	11,103	6,811	130	395	14,653	43,587	374	-
Total Expenditures	78,714	27,315	760	2,019	58,676	930,602	25,886	16,208
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 10,881	\$ 2,240	\$ -	\$ -	\$ -	\$ -	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2017

	Aging							
	MIPPA AAA	MIPPA ADRC	Mental Health & Aging Coalition	USDA Family Daycare	Misc Aging Services	Participant Directed Services	Veterans Directed Services	
Revenues								
Federal	\$ 13,958	\$ 6,643	\$ -	\$ 173,066	\$ -	\$ -	\$ 560,651	\$ 97,657
State	-	-	760	-	-	1,039,954	-	108,306
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	68	204	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	244	-	-	-	-	-	-	7,779
Other Revenues	-	-	-	-	1,951	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	14,202	6,643	760	173,066	1,951	1,040,022	560,855	213,742
Expenditures								
Direct Expenditures								
Salaries	6,501	3,113	-	19,158	180	140,133	22,221	91,414
Employee Benefits	3,138	1,381	-	8,590	106	77,031	9,608	49,761
Annual Leave	340	148	-	731	11	7,027	1,053	6,713
Travel	171	134	-	923	1,168	15,122	782	7,734
Contracted Services	-	-	-	135,546	-	703,895	474,964	-
Duplicating	120	120	-	134	-	1,724	105	1,977
Postage	220	-	-	271	-	2,320	592	774
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	-	760	1,054	-	13,666	3,800	920
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	10,490	4,896	760	166,407	1,465	960,918	513,125	159,293
Shared Costs Applied	3,712	1,747	-	10,770	116	83,752	12,128	54,449
Total Expenditures	14,202	6,643	760	177,177	1,581	1,044,670	525,253	213,742
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ (4,111)	\$ 370	\$ (4,648)	\$ 35,602	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2017

	Delta Regional Authority	Citizens Corp	Local Economic Development	Local Road Updates	Regional Transportation	Campbell/ Strong	Water Management/ Resources	Hazard Mitigation
Revenues								
Federal	\$ 21,273	\$ 5,447	\$ -	\$ 13,760	\$ -	\$ 118,084	\$ -	\$ 34,719
State	-	-	5,000	3,440	78,065	-	85,385	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	8,675	21,853	-	-
Local Applied to Grants	-	-	-	842	76	-	7,102	11,719
Other Revenues	-	35	345,623	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	<u>21,273</u>	<u>5,482</u>	<u>350,623</u>	<u>18,042</u>	<u>86,816</u>	<u>139,937</u>	<u>92,487</u>	<u>46,438</u>
Expenditures								
Direct Expenditures								
Salaries	8,702	1,449	130,844	8,664	43,452	22,176	38,334	22,168
Employee Benefits	4,552	659	66,688	3,665	14,512	10,972	20,977	9,695
Annual Leave	599	73	9,165	720	3,783	1,698	2,305	1,631
Travel	1,364	-	7,190	357	1,429	570	6,241	418
Contracted Services	-	-	-	-	-	89,445	-	-
Duplicating	600	12	154	-	993	-	183	-
Postage	210	4	104	1	53	-	203	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	2,618	2,392	-	149	2,132	991	-
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	<u>16,027</u>	<u>4,815</u>	<u>216,537</u>	<u>13,407</u>	<u>64,371</u>	<u>126,993</u>	<u>69,234</u>	<u>33,912</u>
Shared Costs Applied	<u>5,246</u>	<u>667</u>	<u>76,586</u>	<u>4,635</u>	<u>22,445</u>	<u>12,944</u>	<u>23,253</u>	<u>12,526</u>
Total Expenditures	<u>21,273</u>	<u>5,482</u>	<u>293,123</u>	<u>18,042</u>	<u>86,816</u>	<u>139,937</u>	<u>92,487</u>	<u>46,438</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2017

	Revolving Loan Fund	Intermediary Relending Program	Between the Rivers Duplex	Neighborhood Stabilization Program	Home GAAP Financing	Home Ownership Counseling	Pennyrile Housing Corporation	Pennyrile Dev & Gov't Center
Revenues								
Federal	\$ -	\$ -	\$ -	\$ 3,071	\$ 86,400	\$ -	\$ -	\$ -
State	-	-	-	-	-	2,200	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	22,251	30,667	-	-	-	-	3,986	289
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	-	-	-	-	-	-	-	-
Other Revenues	-	-	52,127	51,667	-	-	80,506	57,415
Program Income	-	-	-	-	-	-	-	-
In-kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	<u>22,251</u>	<u>30,667</u>	<u>52,127</u>	<u>54,738</u>	<u>86,400</u>	<u>2,200</u>	<u>84,492</u>	<u>57,704</u>
Expenditures								
Direct Expenditures								
Salaries	2,807	2,531	1,500	27	2,644	279	36,767	-
Employee Benefits	1,461	1,317	1,075	14	1,499	195	23,710	-
Annual Leave	235	204	144	2	261	28	3,584	-
Travel	108	-	448	11	42	138	487	-
Contracted Services	-	-	-	54,738	80,000	-	-	-
Duplicating	-	-	-	-	3	-	40	-
Postage	-	-	-	-	10	-	6	-
Depreciation	-	-	23,546	-	-	-	-	41,374
Interest	-	8,282	9,544	-	-	-	1,662	16,161
Other Direct Costs	101	238	20,132	-	-	-	1,044	449
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	<u>4,712</u>	<u>12,572</u>	<u>56,389</u>	<u>54,792</u>	<u>84,459</u>	<u>640</u>	<u>67,300</u>	<u>57,984</u>
Shared Costs Applied	<u>1,576</u>	<u>1,476</u>	<u>1,018</u>	<u>16</u>	<u>1,621</u>	<u>191</u>	<u>23,713</u>	<u>-</u>
Total Expenditures	<u>6,288</u>	<u>14,048</u>	<u>57,407</u>	<u>54,808</u>	<u>86,080</u>	<u>831</u>	<u>91,013</u>	<u>57,984</u>
Excess of Revenues Over (Under)								
Expenditures	<u>\$ 15,963</u>	<u>\$ 16,619</u>	<u>\$ (5,280)</u>	<u>\$ (70)</u>	<u>\$ 320</u>	<u>\$ 1,369</u>	<u>\$ (6,521)</u>	<u>\$ (280)</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM – STATUTORY BASIS, CONT.
FOR THE YEAR ENDED JUNE 30, 2017

	West Kentucky Workforce Board	Computer Services	Shared Cost Allocation	Total
Revenues				
Federal	\$ 5,024,523	\$ -	\$ -	\$ 7,484,480
State	-	-	-	2,642,544
Local				
Annual Assessments	-	-	-	65,791
Interest Income	-	-	-	63,744
Local Match	-	-	-	21,853
Local Applied to Grants	75	-	-	-
Other Revenues	-	3,625	-	604,455
Program Income	-	-	-	166,758
In-kind Revenue	-	-	-	270,805
Total Revenues	<u>5,024,598</u>	<u>3,625</u>	<u>-</u>	<u>11,320,430</u>
Expenditures				
Direct Expenditures				
Salaries	614,373	613	292,997	1,765,132
Employee Benefits	263,339	281	148,963	1,018,448
Annual Leave	45,477	78	25,342	125,346
Travel	63,814	56	70,573	197,083
Contracted Services	3,580,546	-	-	7,170,800
Duplicating	8,479	1	4,773	24,042
Postage	1,619	26	4,877	15,480
Depreciation	-	-	17,883	82,803
Interest	-	-	-	35,649
Other Direct Costs	96,531	25	286,356	499,834
In-Kind Expenditures	-	-	-	437,565
Total Direct Expenditures	<u>4,674,178</u>	<u>1,080</u>	<u>851,764</u>	<u>11,372,182</u>
Shared Costs Applied	<u>350,418</u>	<u>384</u>	<u>(851,764)</u>	<u>-</u>
Total Expenditures	<u>5,024,596</u>	<u>1,464</u>	<u>-</u>	<u>11,372,182</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 2</u>	<u>\$ 2,161</u>	<u>\$ -</u>	<u>\$ (51,752)</u>

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Pennyriple Area Development District, as of and for the year ended June 30, 2017, 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 8, 2018.

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 8, 2018



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

Report on Internal Control over Compliance

Management of Pennyrile 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 Pennyrile 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 Pennyrile 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 8, 2018

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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:	
Trade Adjustment Assistance CFDA# 17.245 – Trade Adjustment Assistance	
U.S. Department of Commerce CFDA #11.307 – Economic Adjustment Assistance	
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