

***PENNYRILE AREA DEVELOPMENT
DISTRICT***

FINANCIAL AND COMPLIANCE AUDIT

June 30, 2018

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

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2018

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**PENNYRILE AREA DEVELOPMENT DISTRICT
BOARD OF DIRECTORS**

June 30, 2018

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
Adam Ledford, Mayor's Designee
Robert B. Frazer, Citizen Representative
Roger Simpson, Citizen Representative

Hopkins County

Donald Carroll, Judge / Executive
David Jackson, Mayor of Madisonville
Chris Phelps, Mayor of Mortons Gap
Jenny Sewell, Mayor of Dawson Springs

Livingston County

Chris Lasher, Judge / Executive
Crissy Carter, Citizen Representative
William 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 White, Board Member
Denise Sutton, Board Member

Muhlenberg County

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

Todd County

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

Trigg County

Hollis Alexander, Judge / Executive
Stephanie Perry, Board Member
Brian Ahart, Mayor's Designee
John Sumner, Citizen Representative

**WEST KENTUCKY WORKFORCE BOARD
BOARD OF DIRECTORS**

June 30, 2018

Officers

Dennis Courtney, Chair
Jackie Jones, Vice Chair
Phillip Bean, Secretary
Gary Jones, Treasurer

Business

Jeremy Teague, Marshall County
Dennis Courtney, Calloway County
Phillip Bean, Carlisle County
Deena Pittman, Hickman County
Jason Redfern, Caldwell County
Jackie Jones, Christian County
Tim Capps, Crittenden County
Ben Spears, Hopkins County
Wayne W. Belanger, Todd County
Brad Youngblood, Graves County
Crissy Carter, Livingston County
Gary Jones, Muhlenberg County
Donnie Holland, Trigg County
Wendy Baxter, Lyon County
Laura Thomas, Christian County
Sandra Richey, Christian County
Don Fraher, Calloway County
Chuck Murphy, Fulton County
Justin Nichols, Marshall County
Terri Lundberg, McCracken County
Justin Puckett, Ballard County

Workforce

Bruce Taylor, Greenville
Jim H. Key, Paducah
Kyle Henderson, Paducah
Vickie Hutcheson, Bowling Green
Kendrianna Price, Hopkinsville
Becki Wells, Hopkinsville
Leigh Ann Jarvis, Mayfield
Katie Lopez, Hopkinsville

Government & Economic Development

Mark Manning, Murray
Dan Bozarth, Cadiz
Jennifer Beck-Walker, Mayfield
Gina Johnston, Paducah
Jason Cole, Hartford

Education & Training

Chris Wooldridge, Murray
Dr. Alissa Young, Hopkinsville
Dr. Anton Reece, Paducah
Dr. Cindy Kelley, Madisonville
Anna Larson, Frankfort

Ex Officio

Judge Bob Leeper, Purchase
Judge Steve Tribble, Pennyrite

**PENNYRILE HOUSING CORPORATION
BOARD OF DIRECTORS**

June 30, 2018

Officers

Heath Duncan, Chair

Caldwell County

Gale Cherry, Director

Ellen Dunning, Judge/Executive

Lyon County

Lilburn Ann Denney, Director

Gerald Board, Director

Christian County

Shirley Carter, Director

Gertrude Bullock, Director

Muhlenberg County

Gary Jones, Director

Crittenden County

Todd Perryman, Director

Darrin Tabor, Director

Todd County

Jimmy Turner, Judge/Executive

Hopkins County

Heath Duncan, Director

Trigg County

Hollis Alexander, Judge / Executive

Lucy Miller, Director

Livingston County

Randell O'Bryan, Director

Barkley Gaines, Director

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

June 30, 2018

Officers

David Shore, Chair
Eddie DeArmond, Vice Chair
Rich Liebe, Secretary / Treasurer

Caldwell County
Sherman Chaudoin

Christian County
Rich Liebe

Muhlenberg County
Eddie DeArmond

Todd County
John Walton

Trigg County
David Shore



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Pennyriple Area Development District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Pennyriple Area Development District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Adding Value to Your Bottom Line

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To the Board of Directors
Pennyrile Area Development District
December 10, 2018
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Pennyrile Area Development District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 9 to the financial statements, for fiscal year ended June 30, 2018 the District adopted new accounting guidance, GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 – 13 as well as the Schedule of Proportionate Share of Net Pension Liability, Schedule of Required Contributions – Pension, Schedule of Proportionate Share of Net Other Post-Employment Benefits Liability, Schedule of Required Contributions – Other Post-Employment Benefits, and the notes to the required supplementary information on pages 49 – 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennyrile Area Development District's basic financial statements. The Statement of Net Position – Between the Rivers Duplex, Statement of Revenues, Expenses, and Changes in Net Position – Between the Rivers Duplex, and the Statement of Revenues and Expenditures by Program – Statutory Basis on pages 60 – 68 and the Schedule of Expenditures of Federal Awards with the Notes to the Schedule of Expenditures of Federal Awards on pages 56 – 59, as required by the audit 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Directors
Pennyrile Area Development District
December 10, 2018
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The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the Pennyrile Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pennyrile Area Development District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennyrile Area Development District's internal control over financial reporting and compliance.



Hopkinsville, Kentucky
December 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

The Pennyriple 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, 2018. 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 liabilities of the District exceeded its assets by \$1,266,131 at June 30, 2018.
- The District's total net position decreased by \$604,911 during the year.
- The Fund Balance, a measure of current financial resources, increased in the governmental funds by \$13,857 to a fund balance of \$3,019,638 at June 30, 2018. As contract amounts vary from year to year, some of the excess revenues over expenditures have been set aside for administration of future projects. Programs with excess revenues to be used in upcoming fiscal years are listed as follows:
 - Economic Development - \$76,660
 - Relending Programs - \$20,447

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 –20 of this report.

Notes to the Financial Statements

These notes provide additional information crucial to understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 21 – 48 of this report.

Required Supplementary Information

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

Required supplementary information and notes to the required supplementary information that are not a required part of the basic financial statements can be found on pages 49 – 55 of this report.

Supplementary Information

Supplementary information that is not a required part of the basic financial statements can be found on pages 56 – 68 of this report.

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

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities and deferred inflows exceeded assets and deferred outflows by \$1,266,131 at June 30, 2018. The District's Net Investment in Capital Assets reflects its investment in capital assets less outstanding related debt used to acquire those assets. These assets are not available for future spending. Although the District's capital investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Pennyriple Area Development District Net Position

	<u>Governmental Activities</u>		<u>Component Unit Activities</u>		<u>Total</u>	
	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018
Assets						
Current and Other Assets	\$ 4,691,992	\$ 4,664,563	\$ 547,891	\$ 408,974	\$ 5,239,883	\$ 5,073,537
Capital Assets	823,036	771,628	379,924	356,378	1,202,960	1,128,006
Total Assets	<u>5,515,028</u>	<u>5,436,191</u>	<u>927,815</u>	<u>765,352</u>	<u>6,442,843</u>	<u>6,201,543</u>
Deferred Outflows of Resources						
Deferred Pension Outflows	812,692	1,162,325	-	-	812,692	1,162,325
Deferred OPEB Outflows	-	433,841	-	-	-	433,841
Total Deferred Outflows of Resources	<u>812,692</u>	<u>1,596,166</u>	<u>-</u>	<u>-</u>	<u>812,692</u>	<u>1,596,166</u>
Liabilities						
Current and Other Liabilities	609,996	774,360	402,645	254,687	1,012,641	1,029,047
Net Pension Liabilities	3,666,933	4,399,756	-	-	3,666,933	4,399,756
Net OPEB Liabilities	-	1,511,114	-	-	-	1,511,114
Long-Term Liabilities	1,402,855	1,232,694	575,126	578,973	1,977,981	1,811,667
Total Liabilities	<u>5,679,784</u>	<u>7,917,924</u>	<u>977,771</u>	<u>833,660</u>	<u>6,657,555</u>	<u>8,751,584</u>
Deferred Inflows of Resources						
Deferred Revenue	33,222	37,135	6,637	7,137	39,859	44,272
Deferred Pension Inflows	148,584	188,867	-	-	148,584	188,867
Deferred OPEB Inflows	-	79,117	-	-	-	79,117
Total Deferred Inflows of Resources	<u>181,806</u>	<u>305,119</u>	<u>6,637</u>	<u>7,137</u>	<u>188,443</u>	<u>312,256</u>
Net Position						
Net Investment in Capital Assets	267,801	263,432	(80,306)	(82,161)	187,495	181,271
Restricted:						
Revolving Loan Fund	190,000	190,000	-	-	190,000	190,000
Intermediary Relending Program	611,434	628,054	-	-	611,434	628,054
Unrestricted	(603,105)	(2,272,172)	23,713	6,716	(579,392)	(2,265,456)
Total Net Position	<u>\$ 466,130</u>	<u>\$ (1,190,686)</u>	<u>\$ (56,593)</u>	<u>\$ (75,445)</u>	<u>\$ 409,537</u>	<u>\$ (1,266,131)</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 for governmental activities. The component unit has a negative total net position balance.

Pennyrile Area Development District Changes in Net Position

	<u>Governmental Activities</u>		<u>Component Unit Activities</u>	
	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Revenues				
Program Revenues				
Charges for Services	\$ 804,957	\$ 490,285	\$ 55,266	\$ 47,180
Operating Grants and Contributions	5,121,793	6,108,288	5,248,366	4,476,288
Capital Grants and Contributions	-	-	-	-
General Revenues				
Annual Assessments	65,791	67,909	-	-
Interest Earned	11,163	18,613	847	1,488
Other Revenues	12,191	59,101	75	-
Total Revenues	<u>6,015,895</u>	<u>6,744,196</u>	<u>5,304,554</u>	<u>4,524,956</u>
Expenses				
General Government	245,571	559,339	-	-
Community / Economic Development	812,488	1,225,609	-	-
Transportation Services	104,868	110,094	-	-
Aging and Independent Living Services	4,858,036	5,344,779	-	-
Revolving Loan Fund	6,287	10,571	-	-
Intermediary Relending Program	5,774	7,560	-	-
Mini Loan Fund	-	-	-	-
Pennyrile Development & Gov't Center	-	43,772	-	-
Pennyrile Housing Corporation	-	-	278,931	100,168
West Kentucky Workforce Board	-	-	5,024,597	4,435,426
Interest on Long-Term Debt	24,443	28,531	11,206	8,214
Total Expenses	<u>6,057,467</u>	<u>7,330,255</u>	<u>5,314,734</u>	<u>4,543,808</u>
Change in Net Position	(41,572)	(586,059)	(10,180)	(18,852)
Net Position - Beginning	532,638	466,130	(46,413)	(56,593)
Prior Period Adjustment (Note 9)	(24,936)	(1,070,757)	-	-
Net Position - Beginning, as Restated	507,702	(604,627)	(46,413)	(56,593)
Net Position - Ending	<u>\$ 466,130</u>	<u>\$ (1,190,686)</u>	<u>\$ (56,593)</u>	<u>\$ (75,445)</u>

Changes in Net Position – Governmental Activities. The District’s governmental activities decreased net position by \$586,059 in the fiscal year 2018. Key elements of the increase are as follows:

Total revenues were \$6,744,196, an increase of 12% 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 \$7,330,255, an increase of 21% from the previous year. Of this, the major functions include aging services and community and economic development services. Together they comprise 90% of the total program expenditures.

The agency recorded a prior period adjustment of (\$1,070,757) to adjust for the net other post-employment benefit liability, as required by the implementation of GASB Statement No. 75.

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

1. The PHC’s total revenues were \$89,530, a decrease of 68% 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 \$108,382 a decrease of 63% from the previous year.

2. The WKWB’s total revenues were \$4,435,426, a decrease of 12% from the prior year. The WKWB did not have any general revenues during the 2018 or 2017 fiscal years.

Expenditures totaled \$4,435,426, a decrease of 12% from the previous year.

CAPITAL ASSETS

The District’s investment in capital assets as of June 30, 2018 is \$1,128,006 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Pennyriple Area Development District Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Component Unit Activities		Total	
	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018
Land	\$ 9,988	\$ 9,988	\$ -	\$ -	\$ 9,988	\$ 9,988
Buildings and Improvements	1,355,432	1,355,432	647,518	647,518	2,002,950	2,002,950
Office Furniture and Equipment	234,616	233,896	25,506	25,506	260,122	259,402
Computers and Equipment	245,972	249,227	233,889	233,889	479,861	483,116
Vehicles	102,693	103,753	-	-	102,693	103,753
Construction in Progress	-	-	3,186	3,186	3,186	3,186
	1,948,701	1,952,296	910,099	910,099	2,858,800	2,862,395
Less Accumulated Depreciation	(1,125,665)	(1,180,668)	(530,175)	(553,721)	(1,655,840)	(1,734,389)
Total Net Capital Assets	<u>\$ 823,036</u>	<u>\$ 771,628</u>	<u>\$ 379,924</u>	<u>\$ 356,378</u>	<u>\$ 1,202,960</u>	<u>\$ 1,128,006</u>

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

LONG TERM DEBT

At year-end, the District had \$1,153,746 in outstanding notes and program debt, compared to \$1,274,800 at June 30, 2017. The PHC had \$578,973 in outstanding notes and program debt, compared to \$624,251 at June 30, 2017.

The Pennyriple Development and Governmental Center had \$508,196 in outstanding notes at June 30, 2018 compared to \$551,548 at June 30, 2017.

During the year, \$43,353 was paid to reduce the debt outstanding related to the building addition, \$77,702 was paid to reduce re-lending program debts, and \$21,693 was paid to reduce the loan for the PHC apartment duplex located in Grand Rivers, Kentucky.

The Pennyriple Housing Corporation’s payments to the Kentucky Housing Corporation for the Nonprofit Housing Production loans were \$23,588. 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, 2018.

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

ECONOMIC FACTORS

During the 2018 fiscal year, the District completed its 48th year of providing leadership on regional issues. The District is actively involved and partnering with other agencies to provide regional planning, review and technical services in areas of public administration, social services, economic and workforce development and transportation to the local Pennyriple 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 area 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 Pennyriple 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 Pennyriple 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, Pennyriple Area Development District or Sheila Clark, Director, West Kentucky Workforce Board, 300 Hammond Drive, Hopkinsville, Kentucky, 42240.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Jason Vincent', is written over a light blue horizontal line.

Jason Vincent, Executive Director

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
JUNE 30, 2018

	Pennyrile Area Development District	Pennyrile Housing Corporation	West Kentucky Workforce Board
Assets			
Cash and Cash Equivalents	\$ 2,133,007	\$ 99,725	\$ 2,391
Program Receivables	1,419,563	26,170	402,554
Receivables Due (to) from Component Units	175,557	(20,368)	(155,189)
Other Current Assets	8,739	-	-
Non-Current Assets			
Notes Receivable, Due Within One Year	174,596	9,493	-
Notes Receivable, Due in More Than One Year	753,101	44,198	-
Depreciable Capital Assets, Net	761,640	353,192	-
Non-Depreciable Capital Assets	9,988	3,186	-
Total Assets	5,436,191	515,596	249,756
Deferred Outflows of Resources			
Deferred Outflows - Pensions	1,162,325	-	-
Deferred Outflows - Other Post Employment Benefits	433,841	-	-
Total Deferred Outflows of Resources	1,596,166	-	-
Liabilities			
Accounts Payable	544,788	362	242,171
Grants Payable	13,221	-	-
Other Current Liabilities	122,084	4,569	7,585
Non-Current Liabilities			
Accrued Annual Leave	173,215	-	-
Net Pension Liability	4,399,756	-	-
Net Other Post Employment Benefits Liability	1,511,114	-	-
Due Within One Year	94,267	42,489	-
Due in More Than One Year	1,059,479	536,484	-
Total Liabilities	7,917,924	583,904	249,756
Deferred Inflows of Resources			
Unavailable Revenue	37,135	7,137	-
Deferred Inflows - Pensions	188,867	-	-
Deferred Inflows - Other Post Employment Benefits	79,117	-	-
Total Deferred Inflows of Resources	305,119	7,137	-
Net Position			
Net Investment in Capital Assets	263,432	(82,161)	-
Restricted:			
Revolving Loan Fund	190,000	-	-
Intermediary Relending Program	628,054	-	-
Unrestricted	(2,272,172)	6,716	-
Total Net Position	\$ (1,190,686)	\$ (75,445)	\$ -

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions / Programs	Direct Expenses	Shared Costs Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Primary Government							
Governmental Activities							
General Government	\$ 558,543	\$ 796	\$ 4,151	\$ (161,401)	\$ -	\$ (716,589)	\$ -
Community / Economic Development	1,032,292	193,317	382,447	906,719	-	63,557	-
Transportation Services	80,076	30,018	-	103,941	-	(6,153)	-
Aging and Independent Living Services	5,044,539	300,240	867	5,259,029	-	(84,883)	-
Revolving Loan Fund	7,955	2,616	19,654	-	-	9,083	-
Intermediary Relending Program	5,719	1,841	17,881	-	-	10,321	-
Pennyrile Development & Gov't Center	43,772	-	65,285	-	-	21,513	-
Interest on Long-Term Debt	28,531	-	-	-	-	(28,531)	-
Total Governmental Activities	<u>6,801,427</u>	<u>528,828</u>	<u>490,285</u>	<u>6,108,288</u>	<u>-</u>	<u>(731,682)</u>	<u>-</u>
Total Primary Government	<u>\$ 6,801,427</u>	<u>\$ 528,828</u>	<u>\$ 490,285</u>	<u>\$ 6,108,288</u>	<u>\$ -</u>	<u>(731,682)</u>	<u>-</u>
Component Units							
Pennyrile Housing Corporation	87,942	12,226	47,180	40,862	\$ -	-	(12,126)
West Kentucky Workforce Board	4,080,257	355,169	-	4,435,426	-	-	-
Interest on Long-Term Debt	8,214	-	-	-	-	-	(8,214)
Total Component Units	<u>\$ 4,176,413</u>	<u>\$ 367,395</u>	<u>\$ 47,180</u>	<u>\$ 4,476,288</u>	<u>\$ -</u>	<u>-</u>	<u>(20,340)</u>
General Revenues							
Annual Assessments						67,909	-
Interest Earned						18,613	1,488
Other Revenues						59,101	-
Total General Revenues						<u>145,623</u>	<u>1,488</u>
Change in Net Position						(586,059)	(18,852)
Net Position - Beginning, As Restated						<u>(604,627)</u>	<u>(56,593)</u>
Net Position - Ending						<u>\$ (1,190,686)</u>	<u>\$ (75,445)</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Pennyrile Development & Governmental Center</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 903,372	\$ 1,163,584	\$ 66,051	\$ 2,133,007
Program Receivables	40,856	1,378,707	-	1,419,563
Due from Component Units	47,446	220,714	-	268,160
Other Current Assets	340	8,399	-	8,739
Total Assets	<u>\$ 992,014</u>	<u>\$ 2,771,404</u>	<u>\$ 66,051</u>	<u>\$ 3,829,469</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	\$ 42,450	\$ 497,772	\$ 4,566	\$ 544,788
Grants Payable	-	13,221	-	13,221
Due to Component Units	-	-	92,603	92,603
Other Current Liabilities	2,365	119,719	-	122,084
Total Liabilities	<u>44,815</u>	<u>630,712</u>	<u>97,169</u>	<u>772,696</u>
Deferred Inflows of Resources				
Deferred Revenue	12,386	24,749	-	37,135
Total Deferred Inflows of Resources	<u>12,386</u>	<u>24,749</u>	<u>-</u>	<u>37,135</u>
Fund Balances				
Nonspendable:				
Long-term Notes Receivable	-	927,696	-	927,696
Restricted:				
Revolving Loan Fund	-	190,000	-	190,000
Intermediary Relending Program	-	628,054	-	628,054
Assigned:				
Accrued Annual Leave	173,215	-	-	173,215
Long-term Debt	-	370,193	-	370,193
Unassigned	761,598	-	(31,118)	730,480
Total Fund Balances	<u>934,813</u>	<u>2,115,943</u>	<u>(31,118)</u>	<u>3,019,638</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 992,014</u>	<u>\$ 2,771,404</u>	<u>\$ 66,051</u>	<u>\$ 3,829,469</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances - Total Governmental Funds	\$ 3,019,638
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Amounts reported for governmental activities in the Statement of Net Position are different because (See Note 1):

Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds.	927,697
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. More specifically, non-depreciable and depreciable assets are reported on the Statement of Net Position.	771,628
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Some deferred outflows are not due and receivable in the current period and therefore are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	1,162,325
Deferred Outflows of Resources Related to Other Post Employment Benefits	433,841

Some liabilities, including net pension obligations are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Accrued Annual Leave	(173,215)
Note Payable	(1,153,746)
Net Pension Liability	(4,399,756)
Net Other Post Employment Benefits Liability	(1,511,114)

Some deferred inflows are not due and payable in the current period and therefore are not reported in the funds.

Deferred Inflows of Resources Related to Pensions	(188,867)
Deferred Inflows of Resources Related to Other Post Employment Benefits	(79,117)

Net Position of Governmental Activities	\$ (1,190,686)
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PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Pennyrile Development & Governmental Center</u>	<u>Total Governmental Funds</u>
Revenues				
Charges for Services	\$ 386,598	\$ 38,402	\$ -	\$ 425,000
Rent	-	-	65,285	65,285
Grants	(161,401)	6,269,689	-	6,108,288
Annual Assessments	67,909	-	-	67,909
Interest Income	9,660	8,264	689	18,613
Other Revenues	15,589	43,512	-	59,101
Total Revenues	<u>318,355</u>	<u>6,359,867</u>	<u>65,974</u>	<u>6,744,196</u>
Expenditures				
Current				
General Government	68,515	-	1,841	70,356
Community / Economic Development	301,508	917,151	-	1,218,659
Transportation Services	-	110,256	-	110,256
Aging and Independent Living Services	-	5,326,702	-	5,326,702
Revolving Loan Fund	-	10,119	-	10,119
Intermediary Relending Program	-	7,238	-	7,238
Debt Service				
Principal	-	77,702	43,353	121,055
Interest and Other Charges	-	7,018	21,513	28,531
Capital Outlays	42,639	-	-	42,639
Total Expenditures	<u>412,662</u>	<u>6,456,186</u>	<u>66,707</u>	<u>6,935,555</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(94,307)</u>	<u>(96,319)</u>	<u>(733)</u>	<u>(191,359)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	6,500	-	-	6,500
Payments on Notes Receivable	-	175,372	-	175,372
Total Other Financing Sources (Uses)	<u>6,500</u>	<u>175,372</u>	<u>-</u>	<u>181,872</u>
Net Change in Fund Balances	(87,807)	79,053	(733)	(9,487)
Fund Balances - Beginning	999,276	2,036,890	(30,385)	3,005,781
Transfers - Component Units	23,344	-	-	23,344
Fund Balances - Ending	<u>\$ 934,813</u>	<u>\$ 2,115,943</u>	<u>\$ (31,118)</u>	<u>\$ 3,019,638</u>

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

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (9,487)

Amounts reported for governmental activities in the Statement of Activities are difference because:

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

New Loan Issued	\$ -	
Less: Payments Received	175,372	
	\$ (175,372)	(175,372)

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

Gain on Sale	\$ -	
Less: Proceeds from Sale	6,500	
	\$ (6,500)	(6,500)

Governmental funds report pension contributions made during the year as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District Pension Contributions	\$ 266,689	
Cost of Benefits Earned Net of Employee Contributions	(690,162)	
	\$ (423,473)	(423,473)

Governmental funds report other post employment benefit contributions made during the year as expenditures. However, in the Statement of Activities, the cost of other post employment benefits earned net of employee contributions is reported as pension expense.

District Other Post Employment Benefit Contributions	\$ 86,564	
Cost of Benefits Earned Net of Employee Contributions	(172,197)	
	\$ (85,633)	(85,633)

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

Fixed Assets Purchased	\$ 42,639	
Less: Depreciation	54,844	
To Reconciliation	\$ (12,205)	(12,205)

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

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

New Debt Incurred	\$	-	
Retired Debt		121,055	
Net Debt Service	\$	<u>121,055</u>	121,055

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

<u>5,556</u>
<u><u>\$ (586,059)</u></u>

Change in Net Position of Governmental Activities

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018**

1. Summary of Significant Accounting Policies, Continued

a. The Reporting Entity, Continued

Blended component unit:

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

b. Basis of Presentation

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

c. Basis of Accounting and Measurement Focus

i. Government-Wide Financial Statements

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

1. Summary of Significant Accounting Policies, Continued

c. Basis of Accounting / Measurement Focus, Continued

ii. Fund Financial Statements

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

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

The District has the following major governmental funds:

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

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

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

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that meet those qualifications.

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

1. Summary of Significant Accounting Policies, Continued

d. Use of Estimates

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

e. Interfund Activity

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

f. Cash and Investments

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

Kentucky Revised Statute 66.480 permits the District to invest in U.S. Treasury obligations, U.S. Agency Obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits and the Commonwealth of Kentucky investment pool. As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District is insured by FDIC for up to \$250,000 (\$500,000 for funds under the District's EIN and PHC's EIN since they are public funds) with their bank.

g. Capital Assets

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

1. Summary of Significant Accounting Policies, Continued

g. Capital Assets, Continued

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.

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

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

h. Notes Receivable

Notes receivable are stated at the outstanding principal amount net of allowance for uncollectible notes. Management determines the allowance for uncollectible notes based on review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements and are collateralized by promissory notes and security agreements. Management determines when a note receivable is considered delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. Management determined that no allowance for uncollectible notes receivable was necessary at June 30, 2018.

i. Compensated Absences

All full-time employees are entitled to annual leave at the rate of one to five years of service, twelve days per year; six to ten years of service, fifteen days per year; eleven to fifteen years of service, eighteen days per year; sixteen to twenty years of service, twenty-one days per year; and twenty-one or more years of service, twenty-four days per year. Annual leave accrues from the anniversary date of hire on a pro-rated basis. Accrued annual leave is limited to forty days on February 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 in the governmental funds if significant at year-end. At June 30, 2018, these liabilities included \$173,215 in annual leave pay.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

1. Summary of Significant Accounting Policies, Continued

j. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Financial Position and Balance Sheet may 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. As of June 30, 2018, the District has \$1,162,325 that relates to pensions as required by GASB Statement No. 68 and \$433,841 that relates to other post-employment benefits as required by GASB Statement No. 75 in deferred outflows of resources.

In addition to liabilities, the Statement of Financial Position and Balance Sheet may 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 \$37,135 in deferred inflows of resources for fiscal year ended June 30, 2018 that relates to funds received that relate to a future time period. Additionally, as of June 30, 2018, the District also has \$188,867 related to pensions as required by GASB Statement No. 68 and \$79,117 related to other post-employment benefits as required by GASB Statement No. 75 in deferred inflows of resources.

k. Payables and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In the governmental fund financial statements, payables, accrued liabilities and long-term obligations are recognized as a liability when due. Only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund.

l. 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 System (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 benefits terms of the County Employees Retirement System. Investments are reported as fair value.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

1. Summary of Significant Accounting Policies, Continued

m. Government-Wide Net Position

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

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

Restricted Net Position – consists of net assets that have a third-party (statutory or granting agency) limitation on their use. The District uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District has a restricted net position in the Revolving Loan Fund, Intermediary Relending Program in the amounts of \$190,000, and \$628,054, 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. As of June 30, 2018, the District had a deficit unrestricted net position in the amount of (\$2,272,172). This deficit is due mostly to compliance with GASB Statement No. 68 and GASB Statement No. 75 in recording the deferred outflows of resources, net liabilities associated with pensions and other post-employment benefits, and deferred inflows of resources. The net deficit amount related to these transactions is (\$4,582,688).

n. Governmental Fund Equity

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

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. For fiscal year ended June 30, 2018, \$927,696 related to the long-term notes receivable for the Revolving Loan Fund and Intermediary Relending Program is nonspendable.

Restricted – amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors. For fiscal year ended June 30, 2018, \$190,000 has been grantor restricted for the Revolving Loan Fund and \$628,054 has been grantor restricted for the Intermediary Relending Program.

Committed – amounts that can only be spent for specific purposes determined by the District’s Board of Directors through formal action.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The amounts may be assigned by the Board or management. For the fiscal year ended June 30, 2018, \$173,215 has been assigned for future use related to compensated absences and \$370,193 has been assigned for future long-term debt.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

1. Summary of Significant Accounting Policies, Continued

n. Governmental Fund Equity, Continued

Unassigned – all other amounts not included in other spendable classifications. As of June 30, 2018, Pennyrile Development & Governmental Center had a deficit fund balance in the amount of (\$31,118).

o. Prioritization and Use of Available Resources

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

p. Non-exchange Transactions

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

q. 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 9. The District is in conformity with 2 CFR Part 225.

r. 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, 2018**

1. Summary of Significant Accounting Policies, Continued

s. Date of Management Review

In preparing these financial statements, the District has evaluated the events and transactions for potential recognition or disclosure through December 10, 2018 the date the financial statements were available to be issued.

t. 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".

u. Budgetary Information

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

The WKWB is required to adopt a legally binding contract budget.

v. Concentrations

The District operates in a heavily regulated environment and approximately 82% of its revenues are derived from federal and state funds.

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 principal amount of deposits. The District's deposits, including certificates of deposit, were insured or collateralized as required by State statutes at their highest daily balance during the fiscal year.

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

2. Deposits and Investments, Continued

As of the high cash day for the fiscal year ended June 30, 2018, the amount of deposits collateralized by depository insurance and pledged securities is as follows:

	<u>Bank Balance</u>	<u>Depository Insurance</u>	<u>Pledged Securities</u>	<u>(Over) / Under Collateralized</u>
Governmental Activities	\$ 2,523,090	\$ 500,000	\$ 2,940,000	\$ (916,910)
Blended Component Unit - PDGC	\$ 65,247	\$ 250,000	\$ -	\$ (184,753)
Component Unit - PHC	\$ 232,292	\$ 500,000	\$ -	\$ (267,708)
Component Unit - WKWB	\$ 533,299	\$ 250,000	\$ 540,000	\$ (256,701)

3. Capital Assets

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-Wide Statement of Net Position. Capital asset activity of the governmental activities for the year ended June 30, 2018, consisted of the following:

	<u>Balance June 30, 2017</u>	<u>Additions / Reclassifications</u>	<u>Deletions / Reclassifications</u>	<u>Balance June 30, 2018</u>
Governmental Activities				
Land	\$ 9,988	\$ -	\$ -	\$ 9,988
Buildings and Improvements	1,355,432	-	-	1,355,432
Office Furniture and Equipment	234,616	9,300	10,020	233,896
Computers and Equipment	245,972	7,340	4,085	249,227
Vehicles	102,693	25,999	24,939	103,753
Total	1,948,701	42,639	39,044	1,952,296
Less Accumulated Depreciation	<u>(1,125,665)</u>			<u>(1,180,668)</u>
Total Governmental Activities	<u>\$ 823,036</u>			<u>\$ 771,628</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

3. Capital Assets, Continued

A summary of the component units fixed asset transactions for the year ended June 30, 2018, follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions /</u> <u>Reclassifications</u>	<u>Deletions /</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2018</u>
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	<u>(530,175)</u>			<u>(553,721)</u>
Total Component Unit Activities	<u>\$ 379,924</u>			<u>\$ 356,378</u>

For the year ended June 30, 2018, depreciation on capital assets, including assets associated with capital leases was charged to the government functions as follows:

General	\$ 20
Community / Economic Development	4,727
Transportation Services	736
Aging Services	7,336
Revolving Loan Fund	67
Intermediary Relending Program	47
Pennyrile Development and Gov't Center	41,931
West Kentucky Workforce Board	8,444
Pennyrile Housing Corporation	<u>23,839</u>
Total Depreciation Expense	<u>\$ 87,147</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

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, 2018:

	Balance July 1, 2017	Transfers, Issues, or Additions	Transfers, Payments, or Expenditures	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Notes and Leases Payable	\$ 1,274,801	\$ -	\$ 121,055	\$ 1,153,746	\$ 94,267
Compensated Absences	164,187	129,583	120,555	173,215	-
Net Pension Liability	3,666,933	732,823	-	4,399,756	-
Net OPEB Liability	-	1,511,114	-	1,511,114	-
Total Governmental Activities	<u>5,105,921</u>	<u>2,373,520</u>	<u>241,610</u>	<u>7,237,831</u>	<u>94,267</u>
Component Unit Activities					
Notes and Leases Payable	624,251	-	45,278	578,973	42,489
Total Component Unit Activities	<u>624,251</u>	<u>-</u>	<u>45,278</u>	<u>578,973</u>	<u>42,489</u>
Total Non-Current Liabilities	<u>\$ 5,730,172</u>	<u>\$ 2,373,520</u>	<u>\$ 286,888</u>	<u>\$ 7,816,804</u>	<u>\$ 136,756</u>

Non-current liabilities at June 30, 2018, are comprised of the following:

Governmental Activities			
Notes and Leases Payable	Interest Rate	Final Maturity Date	Balance End of Year
USDA	1.00%	2027	\$ 645,550
Kentucky Association of Counties	3.86%	2037	508,196
Total Governmental Activities			<u>1,153,746</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

4. Non-Current Liabilities, Continued

Component Units			
Notes and Leases Payable	Interest Rate	Final Maturity Date	Balance End of Year
Kentucky Housing Corporation	1.00%	2017	\$ -
Kentucky Housing Corporation	1.00%	2018	1,063
Kentucky Housing Corporation	1.00%	2019	2,526
Kentucky Housing Corporation	1.00%	2019	12,734
Kentucky Housing Corporation	1.00%	2020	5,687
Kentucky Housing Corporation	1.00%	2021	14,064
Kentucky Housing Corporation	1.00%	2022	16,031
Kentucky Housing Corporation	1.00%	2023	19,604
Kentucky Housing Corporation	1.00%	2024	19,383
Kentucky Housing Corporation	1.00%	2025	16,398
Kentucky Housing Corporation	1.00%	2026	5,074
Kentucky Housing Corporation	1.00%	2027	4,712
Kentucky Housing Corporation	1.00%	2031	23,158
Kentucky Housing Corporation	2.00%	2036	438,539
Total Component Units			<u>578,973</u>
Total Long-Term Debt			<u><u>\$ 1,732,719</u></u>

The annual requirements to retire debt are as follows:

Governmental Activities			
Notes Payable			
Year	Principal	Interest	Total Debt Service
2019	\$ 78,522	\$ 6,378	\$ 84,900
2020	79,307	5,593	84,900
2021	80,100	4,800	84,900
2022	80,901	3,999	84,900
2023	81,710	3,190	84,900
2024-2028	<u>245,010</u>	<u>4,225</u>	<u>249,235</u>
Total Notes Payable	<u>645,550</u>	<u>28,185</u>	<u>673,735</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

4. Non-Current Liabilities, Continued

Leases Payable			
	2019	15,745	22,832
	2020	16,388	22,189
	2021	17,125	21,452
	2022	17,863	20,714
	2023	18,636	19,940
	2024-2028	105,871	87,011
	2029-2033	130,769	62,114
	2034-2038	185,799	26,408
Total Leases Payable	508,196	282,660	790,856
Total Notes and Leases Payable	\$ 1,153,746	\$ 310,845	\$ 1,464,591

Component Units Notes Payable			
Year	Principal	Interest	Total Debt Service
2019	\$ 42,489	\$ 10,155	\$ 52,645
2020	41,840	9,548	51,388
2021	41,045	8,897	49,942
2022	39,604	8,272	47,876
2023	36,552	7,657	44,209
2024-2028	151,396	29,685	181,081
2029-2033	134,168	16,302	150,470
2034-2038	91,879	3,338	95,217
Total Notes Payable	578,973	93,855	672,828
Total Governmental and Component Activities	\$ 1,732,719	\$ 404,700	\$ 2,137,419

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

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 original purchase price was \$803,027 with accumulated depreciation of \$219,632 and the present value of the minimum lease payments is \$508,196 at June 30, 2018.

5. Employee Benefits

General Information about the Employee Benefits

Plan Descriptions: In connection with the District's agreements with Kentucky Retirement System (KRS) – County Employee Retirement System (CERS) and the Insurance Trust Fund (ITF), the District participates with other Agencies in the State in a cost sharing multiple-employer defined benefit pension plan and post-employment benefits 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 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.

Pension Plan:

Members of the CERS (nonhazardous), participating prior to September 21, 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 compensation 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 equal 87 years at retirement or after age 65 with 5 years of service credit. Service related disability benefits are provided for all three tiers regardless of length of service. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. The COLA has increased annually by 1.5% since July 1, 2003. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Other Post-Employment Benefits:

KRS contributes toward the monthly insurance premium upon retirement based on years of service and type of service.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

5. Employee Benefits, Continued

For participants beginning prior to July 1, 2003, KRS will pay a percentage of the monthly contribution rate for medical insurance coverage.

For participants beginning between July 1, 2003 and August 31, 2008, eligibility for insurance benefits shall not be provided until the member has earned at least 120 months of service. For non-hazardous members, KRS will contribute \$10 per month for insurance for each year of earned service.

For participants beginning on or after September 1, 2008, eligibility for insurance benefits shall not be provided until the member has earned at least 180 months of service. For non-hazardous members, KRS will contribute \$10 per month for insurance for each year of earned service.

The percentage of the Agency's contributions to total employers' contribution in the insurance plan for the fiscal year ended June 30, 2018 is not known. For the fiscal year ended June 30, 2017, the District provided less than 1% of the total contributions to the plan.

Contributions: Contributions for members are established in the statutes governing the KRS and may only be changed by the Kentucky general Assembly. CERS and ITF 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 and ITF are required to be paid. Employer contributions by the District for the year ended June 30, 2018 to KRS were \$353,253 which is 19.18% of covered payroll and any additional required payments. The contribution rate of 19.18% is comprised of amounts for pension and insurance benefits, 14.48% or \$266,689 was allocated to pensions, 4.70% or \$86,564 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 costs 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, 2018, the District reported a liability of \$4,399,756 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, relative to the contributions of all members for the year ended June 30, 2017. At the June 30, 2017 measurement date, District's proportion was 0.075167%. The District's proportionate share increased 0.000691% from the prior year.

Other Post-Employment Benefits Liability: At June 30, 2018, the District reported a liability of \$1,511,114 for its proportionate share of net liability associated with the other post-employment benefits. The net other post-employment benefits liability was measured as of June 30, 2017, and the total other post-employment benefits liability used to calculate the net other post-employment benefits asset was determined by an actuarial valuation as of that date. The District's portion of the net other post-

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

5. Employee Benefits, Continued

employment benefits liability was based on the District's contributions to the other post-employment benefits plan during the year ended June 30, 2017, relative to the contributions of all members for the year ended June 30, 2017. At the June 30, 2017 measurement date, the District's proportion was 0.075167%.

Pension expense: For the year ended June 30, 2018, the District recognized a pension expense of \$687,766.

Other Post-Employment Benefits Expense: For the year ended June 30, 2018, the District recognized other post-employment benefits expenses of \$172,197.

Deferred outflows of resources and deferred inflows of resources:

Pension Plan: For the year ended June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 5,457	\$ 111,685
Change of assumptions	811,874	-
Net difference between projected and actual earnings on plan investments	54,420	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,885	77,182
Employer contributions subsequent to the measurement date	<u>266,689</u>	<u>-</u>
	<u>\$ 1,162,325</u>	<u>\$ 188,867</u>

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

5. Employee Benefits, Continued

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

June 30	Amount
2019	\$ 287,237
2020	323,655
2021	152,372
2022	(56,495)
2023	-
	\$ 706,769

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

Other Post-Employment Benefits: For the year ended June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ -	\$ 4,197
Change of assumptions	328,809	-
Net difference between projected and actual earnings on plan investments	-	71,414
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,506
Employer contributions subsequent to the measurement date	105,032	-
	\$ 433,841	\$ 79,117

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

5. Employee Benefits, Continued

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

June 30	Amount
2019	\$ 42,962
2020	42,962
2021	2,962
2022	42,962
2023	60,816
Thereafter	17,028
	\$ 209,692

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, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	6.25% for CERS non-hazardous

The total other post-employment benefits liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increases	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality table used for active members of both the pension plan and the other post-employment benefit plan 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.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

5. Employee Benefits, Continued

The actuarial assumption 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 long-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 for each major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S Equity	26.5%
Non-U.S. Equity	26.5%
Fixed Income	12.0%
Real Return	8.0%
Real Estate	5.0%
Absolute Return	10.0%
Private Equity	10.0%
Cash Equivalent	<u>2.0%</u>
Total	<u><u>100.0%</u></u>

The target asset allocation is the same for both the pension plan and the other post-employment benefits plan as of June 30, 2017.

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The discount rate does not use a municipal bond rate.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

5. Employee Benefits, Continued

The discount rate used to measure the total other post-employment benefits liability was 5.84%. An expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's 20-Year Municipal GO AA Index" as of June 30, 2017 were used as part of the discount rate determination. The cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the ITF. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Projected cash flows: The projections 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 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipation gains on actuarial value of assets over the first four years of the projections 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 a 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-percent-point lower (5.25%) or 1-percent-point higher (7.25%) than the current rate for non-hazardous:

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Pennyrile Area Development District's net pension liability	\$ 5,549,043	\$ 4,399,756	\$ 3,438,386

Sensitivity of the proportionate share of net other post-employment benefits liability (asset) to changes in the discount rate: The following presents the net other post-employment benefits liability of the District, calculated using a 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-percent-point lower (4.84%) or 1-percent-point higher (6.84%) than the current rate for non-hazardous:

	1% Decrease (4.84%)	Discount Rate (5.84%)	1% Increase (6.84%)
Pennyrile Area Development District's net other post-employment benefits liability	\$ 1,922,809	\$ 1,511,114	\$ 1,168,519

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

5. Employee Benefits, Continued

Sensitivity of the proportionate share of net other post-employment benefits liability (asset) to changes in the Healthcare Cost Trend Rate: The following presents the net other post-employment benefits liability of the District, calculated using a the current healthcare cost trend rate, as well as what the District's net pension liability would be if it were calculated at a 1% decrease and a 1% increase:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Pennyrile Area Development District's net other post-employment benefits liability	\$ 1,159,102	\$ 1,511,114	\$ 1,968,708

Fiduciary net pension: Detailed information about the pension plan and the other post-employment benefits plan fiduciary net position are available in separately issued financial reports 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 other post-employment fiduciary net position has been determined on the same basis used by the other post-employment benefit plan. The aforementioned reports disclose the plans basis of accounting, policies and valuation methods of the plans' 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 omissions; injuries to employees; and natural disasters. The District is insured under a public entity risk pool for these types of risk, including workers' compensation. In accordance with Kentucky Revised Statute 304.48-250, if the assets of the liability insurance group (pool) are at any time insufficient to enable the group to discharge its legal liabilities, other obligations, and to maintain the required reserves, the pool shall immediately levy an additional assessment upon all members of the pool for the amount necessary to make up the deficiency.

The District reduces the risk of loss by 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.

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.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

7. Contingencies, Continued

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

8. Cost Allocation Plan

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

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

A. Salaries and Wages

- a. Direct Costs – The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization. The charges are supported by auditable labor distribution reports which reflect the actual activities of the employees.
- b. 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.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

8. Cost Allocation Plan, Continued

- 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. Pennyrile ADD's records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is treated as a cost incurred during the period the leave is earned.

B. Fringe Benefits

The District contributes the following fringe benefits for its employees:

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

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 the 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 charged as direct costs to any federal awards.

C. Travel

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

D. Consultant Contracts

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.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

8. Cost Allocation Plan, Continued

G. Audit Fees

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

H. Building Rental

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

I. Equipment Rental / Purchases

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

For fiscal year ended June 30, 2018, the shared cost categories that were allocated to all of the programs are as follows:

Salaries	\$ 298,972
Employee Benefits	187,695
Annual Leave	26,278
Travel	65,059
Duplicating	3,783
Postage	6,035
Depreciation	21,673
Other Indirect Costs	<u>286,733</u>
 Total Shared Cost	 <u><u>\$ 896,228</u></u>

9. New GASB Standards

In fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, in conjunction with GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" reflects substantial improvements to the accounting and financial reporting of other post-employment benefit plans by state and local governments and other post-employment benefit plans. Statement No. 74 addresses financial reporting for state and local government other post-employment benefit plans, while Statement No. 75 addresses the measurement and recording of other post-employment benefit costs, including those for participants in the multi-employer plans.

PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

9. New GASB Standards, Continued

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with other post-employment benefit plans in important ways. It is designed to improve the decision / usefulness of reported other post-employment benefits information and to increase the transparency, consistency, and comparability of other post-employment benefits plan information across governments.

Under the standards previously in effect, cost-sharing employers had not been required to present actuarial information about other post-employment benefit plans. Instead, information has been required to be presented in the other post-employment benefit plan's own financial statements for all of the participating governments combined. Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employer's access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net other post-employment benefits plan liability, other post-employment benefits expense, and other post-employment benefits related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan

The implementation of GASB Statement No. 75 required the District to record its proportionate share of the net other post-employment benefits liabilities of the cost-sharing defined benefit plan in which it participates. This amount, \$1,511,114, was material to the financial statements of the District. It was also required to record current activity related to the plan that included deferred inflows of resources and deferred outflows of resources. See Note 5 for further detail related to the plan.

In fiscal year ended June 30, 2018, the District considered implementation of GASB Statement No. 81, "Irrevocable Split-Interest Agreements". This statement's intent is to improve accounting and financial reporting for irrevocable split-interest agreements by providing guidance on recognition and measurement for governments that are beneficiaries to this type of agreement. The District does not currently have any irrevocable split-interest agreements. Therefore, implementation of the statement has no impact on the financial statements.

In fiscal year ended June 30, 2018, the District implemented Statement No. 82, "Pension Issues", which is an amendment of GASB Statements No. 67, No. 68, and No. 73. This statement's purpose is to address issues raised regarding the presentation of payroll-related measures in the required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District implemented the standard in the current year. However, upon review of the requirements, the changes have no material impact on the financial statements or required supplementary information.

In fiscal year ended June 30, 2018, the District implemented Statement No. 85, "Omnibus 2017". This statement's purpose is to address practice issues identified during implementation and application of certain GASB Statements. It addresses a variety of topics to include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

9. New GASB Standards, Continued

other post-employment benefits. The District implemented the standard in the current year. However, upon review of the requirements, the changes have no material impact on the financial statements or required supplementary information.

In fiscal year ended June 30, 2018, the District considered implementation of GASB Statement No. 86, "Certain Debt Extinguishment Issues". This statement's purpose is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The District does not currently have any of this type of debt extinguishment. Therefore, implementation of the statement has no impact on the financial statements.

10. Prior Period Adjustment

For fiscal year ended June 30, 2018, the District made prior period adjustments due to the adoption of GASB Statement No. 75, as described in Note 9, New GASB Standards above, which require the restatement of the June 30, 2017 net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2017 of \$1,070,757 for governmental activities. This change is in accordance with generally accepted accounting principles.

	Governmental Activities
Beginning Net Position as Previously Reported at June 30, 2017	\$ 466,130
Prior Period Adjustment - Implementation of GASB 75	
Net Other Post-Employment Benefits Liability (As of 06/30/16)	(1,166,805)
Deferred Outflows - District's Contributions Made During Fiscal Year Ended June 30, 2017	96,048
Total Prior Period Adjustment	(1,070,757)
Net Position as Restated, July 1, 2017	\$ (604,627)

For fiscal year ended June 30, 2018, the District changed from reporting the primary government strictly as a proprietary fund to reporting the primary government as governmental funds. This change affects the basic financial statements by requiring governmental fund reports, which are reported on a different accounting basis and measurement focus from the government-wide statements. Upon guidance received, the District elected to implement this change for fiscal year ended June 30, 2018, prior to when it is required. The beginning fund balance amounts for the governmental fund statements have been restated to reflect the changed accounting basis and measurement focus. The result is an increase to the net position balance in the amount \$2,539,651 to convert to the fund balance as restated on July 1, 2017.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018**

10. Prior Period Adjustment, Continued

	<u>Governmental Funds</u>
Beginning Net Position as Previously Reported at June 30, 2017	\$ 466,130
Prior Period Adjustment - Conversion from Net Position to Fund Balance	
Long-Term Receivables	(1,103,069)
Capital Assets, Net of Depreciation	(823,036)
Deferred Outflows of Resources Related to Pensions	(812,692)
Accrued Annual Leave	164,187
Note Payable	1,274,801
Net Pension Liability	3,666,933
Deferred Inflows of Resources Related to Pensions	148,584
Transfers	<u>23,943</u>
 Total Prior Period Adjustment	 <u>2,539,651</u>
 Fund Balance as Restated, July 1, 2017	 <u><u>\$ 3,005,781</u></u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Net Pension Liability (Asset) for County Employee Retirement System	\$ 5,853,307,463	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,376,263
Pennyrile Area Development District's Proportion of the Net Pension Liability (Asset)	0.075167%	0.074476%	0.078550%	0.081091%
Pennyrile Area Development District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,399,756	\$ 3,666,933	\$ 3,377,279	\$ 2,630,890
Pennyrile Area Development District's Covered Payroll	\$ 1,841,775	\$ 1,847,305	\$ 1,809,114	\$ 1,832,682
Pennyrile Area Development District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	238.89%	198.50%	186.68%	143.55%
Plan Fiduciary Net Position as a Percentage of the Total Net Position	53.30%	55.50%	59.97%	66.80%

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF REQUIRED CONTRIBUTIONS - PENSION
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Pension Contribution	\$ 266,689	\$ 257,699	\$ 224,692	\$ 233,667	\$ 255,613
Contribution in Relation to the Contractually Required Pension Contribution	<u>(266,689)</u>	<u>(257,699)</u>	<u>(224,692)</u>	<u>(233,667)</u>	<u>(255,613)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pennyrile Area Development District's Covered Payroll	\$ 1,841,775	\$ 1,847,305	\$ 1,809,114	\$ 1,832,682	\$ 1,860,357
Pension Contributions as a Percentage of Pennyrile Area Development District's Covered Payroll	14.48%	13.95%	12.42%	12.75%	13.74%

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER
POST-EMPLOYMENT BENEFITS LIABILITY
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018**

	2018
Total Net Other Post-Employment Benefits Liability (Asset) for County Employee Retirement System	\$ 2,010,342,058
Pennyrile Area Development District's Proportion of the Net Other Post-Employment Benefits Liability (Asset)	0.075167%
Pennyrile Area Development District's Proportionate Share of the Net Other Post-Employment Benefits Liability (Asset)	\$ 1,511,114
Pennyrile Area Development District's Covered Payroll	\$ 1,841,775
Pennyrile Area Development District's Proportionate Share of the Net Other Post-Employment Benefits Liability as a Percentage of Its Covered Payroll	82.05%
Plan Fiduciary Net Position as a Percentage of the Total Net Position	52.40%

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

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

**PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF REQUIRED CONTRIBUTIONS - OTHER
POST-EMPLOYMENT BENEFITS
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30**

	2018	2017
Contractually Required Other Post-Employment Benefits Contribution (Implicit Subsidy Omitted)	\$ 86,564	\$ 87,378
Contribution in Relation to the Contractually Required Other Post-Employment Benefits Contribution	(86,564)	(87,378)
Contribution Deficiency (Excess)	\$ -	\$ -
Pennyrile Area Development District's Covered Payroll	\$ 1,841,775	\$ 1,847,305
Contributions as a Percentage of Pennyrile Area Development District's Covered Payroll	4.70%	4.73%

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

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

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-20000 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 assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
JUNE 30, 2018**

Method and assumption used in calculation of actuarially determined contributions – The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50%

Insurance Trust Fund

Changes of benefit terms – None.

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-20000 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 assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
JUNE 30, 2018**

Method and assumption used in calculation of actuarially determined contributions – The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<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	\$ -	\$ 669,198
Rural Business Enterprise Grants	10.351	20-024-591519025	-	50,000
Child and Adult Care Food Program	10.558	MOA*	-	85,269
Total U.S. Department of Agriculture			-	804,467
<u>U. S. Department of Commerce</u>				
Passed-Through Department for Local Government				
Joint Funding Administration	11.302	MOA*	-	95,892
Passed-Through Economic Development Administration				
Economic Adjustment Assistance (RLF) (Note 5)	11.307	04-79-06079	-	509,716
Total U.S. Department of Commerce			-	605,608
<u>U.S. Department of Defense</u>				
Passed-Through Office of Economic Adjustment				
Community Economic Adjustment Assistance for Realignment and Closure of a Military Installatio	12.607	HQ0005170038	-	411,681
Total U.S. Department of Defense			-	411,681
<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 1700002624 1	141,548	268,362
Title III Part C - Nutrition Services	93.045	PON2 725 1700002624 1	480,182	524,977
Nutrition Services Incentive	93.053	PON2 725 1800000566 1	129,384	129,384
Total Aging Cluster			751,114	922,723
Title III Part D - Disease Prevention	93.043	PON2 725 1700002624 1	14,865	14,865
Title III Part E - Caregiver Support	93.052	PON2 725 1700002624 1	-	106,417
Centers for Medicare and Medicaid Service - TEFT	93.627	MOA*	-	620
Centers for Medicare and Medicaid Service - Research, Demonstrations, and Evaluations	93.779	PON2 725 1700002623 1	31,064	32,699
Medical Assistance Program	93.778	PON2 725 1700002631 1	-	17,640
Title VII - Ombudsman	93.042	PON2 725 1700002626 1	-	6,348
Title VII - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	PON2 725 1700002626 1	-	3,847
Assistance Programs for Chronic Disease Prevention & Control	93.945	PON2 725 1700002633 1	-	2,525
Public Health Emergency Preparedness	93.069	PON2 725 1700002632 1	-	999
Medicare Enrollment Assistance Program	93.071	PON2 725 1800000579 1	18,304	32,346
Total U.S. Department of Health and Human Services			815,347	1,141,029
<u>U.S. Department of Homeland Security</u>				
Passed-Through Kentucky Office of Homeland Security				
Citizens Corp Personnel	97.067	PO2 094 1700001323 1	-	22,735
Total U.S. Department of Homeland Security			-	22,735
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through Kentucky Department for Local Government				
Neighborhood Stabilization Program	14.228	14N-019	-	10,212
Total U.S. Department of Housing and Urban Development			-	10,212

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

<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 Labor</u>				
Passed-Through Kentucky Cabinet for Health and Family Services Senior Community Service Employment Title V Aging	17.235	PON2 725 1700002625 1	162,040	174,365
WIOA Cluster				
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce, Office of Employment and Training				
Workforce Innovation and Opportunity Act Adult Program	17.258	27317	29,864	288,538
Workforce Innovation and Opportunity Act Adult Program	17.258	27018	31,649	126,460
Workforce Innovation and Opportunity Act Adult Program	17.258	27318	140,248	509,046
Workforce Innovation and Opportunity Act Youth Activities	17.259	27416	-	12,197
Workforce Innovation and Opportunity Act Youth Activities	17.259	27417	22,457	377,170
Workforce Innovation and Opportunity Act Youth Activities	17.259	27418	26,175	474,681
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grant	17.278	27216	-	11,391
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grant	17.278	27116	-	353,984
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grant	17.278	27117	175,370	751,133
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grant	17.278	27218	141,538	184,700
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grant	17.278	27118	90,705	275,048
Total WIOA Cluster			<u>658,006</u>	<u>3,364,348</u>
Passed-Through Kentucky Education and Workforce Development Cabinet, Department of Workforce, Office of Employment and Training				
Trade Adjustment Assistance	17.245	20516	-	877,507
Workforce Innovation and Opportunity National Dislocated Worker Grants/Workforce Investment Act National Emergency Grants	17.277	258PW17	-	87,090
Total U.S. Department of Labor			<u>820,046</u>	<u>4,503,310</u>
<u>Delta Regional Authority</u>				
Passed-Through Department for Local Government Delta Regional Authority Act - Technical Assistance	90.200	SF424	-	21,410
Total Delta Regional Authority			<u>-</u>	<u>21,410</u>
Total Federal Award Expenditures			<u>\$ 1,635,393</u>	<u>\$ 7,520,452</u>

* Memorandum of Agreement (MOA)

Schedule of Expenditures of Federal Awards Calculation for Revolving Loan (RLF) and Intermediary Programs (IRP)

(RLF) Grant				
Balance of RLF loans outstanding at June 30, 2018			\$ 436,573	
Cash and investment balance in RLF at June 30, 2018			219,152	
Administrative expenses paid out of RLF in year ended June 30, 2018			10,571	
Total			0.00	666,296
Federal share of RLF				0.77
Total amount reported on SEFA for RLF			-	<u>\$ 509,716</u>
(IRP) Grant				
Balance of IRP notes payable outstanding at June 30, 2018			\$ 645,550	
Interest revenue as of June 30, 2018			23,648	
Total amount reported on SEFA for IRP			-	<u>\$ 669,198</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

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 costs 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 Balance

The balance of loans outstanding at June 30, 2018 was \$927,697.

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	\$ 6,341,538
Intermediary Relending Program	669,198
RLF Project Funds	<u>509,716</u>
Federal Expenditures	<u>\$ 7,520,452</u>

**PENNYRILE AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
JUNE 30, 2018**

6. Subrecipients

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

<u>Subrecipient</u>	<u>Program Title</u>	<u>Amount Provided</u>
Pennyrile Allied Community Services, Inc.	Title III	\$ 625,070
	SHIP	31,064
	Title V - Senior Community Service Employment Program	162,040
	USDA	129,383
	Medicare Enrollment Assistance Program	<u>18,305</u>
	Subrecipient Total	<u>\$ 965,862</u>
Kentucky Legal Aid	Title III	<u>\$ 11,525</u>
	Subrecipient Total	<u>\$ 11,525</u>
Purchase Area Development District	WIOA Funds	<u>\$ 658,006</u>
	Subrecipient Total	<u>\$ 658,006</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET POSITION
BETWEEN THE RIVERS DUPLEX
JUNE 30, 2018

Assets

Accounts Receivable	\$	6,326
Non-Current Assets		
Depreciable Capital Assets, Net		353,192
Total Assets		359,518

Liabilities

Accounts Payable		97
Other Current Liabilities		38,755
Non-Current Liabilities		
Due Within One Year		19,982
Due in More Than One Year		418,557
Total Liabilities		477,391

Net Position

Net Investment in Capital Assets		(85,347)
Unrestricted		(32,526)
Restricted		-
Total Net Position	\$	(117,873)

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BETWEEN THE RIVERS DUPLEX
FOR THE YEAR ENDED JUNE 30, 2018

Operating Revenues

Rent	\$	43,500
Other Revenues		575
		44,075
Total Operating Revenues		44,075

Operating Expenses

Salaries		1,059
Annual Leave		104
Employee Benefits		750
Travel		285
Depreciation		23,546
Other Direct Costs		19,074
Indirect Costs Applied		682
		45,500
Total Operating Expenses		45,500
Operating Income		(1,425)

Non-Operating Revenues (Expenses)

Interest Expense		(7,042)
		(7,042)
Total Non-Operating Revenues (Expenses)		(7,042)

Change in Net Position (8,467)

Net Position - Beginning (109,406)

Net Position - Ending \$ (117,873)

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted Local Operations	Aging						Title III Congregate Meals
		Title III B Administration	Title III C1 Administration	Title III C2 Administration	Title III E Administration	Title III Supportive Services	Title III Ombudsman	
Revenues								
Federal	\$ -	\$ 22,507	\$ 29,537	\$ 15,258	\$ 10,012	\$ 228,986	\$ 16,869	\$ 252,726
State	-	7,502	9,846	14,066	3,337	127,990	2,965	59,875
Local								
Annual Assessments	67,909	-	-	-	-	-	-	-
Interest Income	9,660	-	-	-	-	-	-	-
Local Match	(10,467)	-	-	-	-	-	-	-
Local Applied to Grants	(150,934)	103	231	282	827	8,022	571	-
Other Revenues	15,589	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	44,894	-	110,624
Total Revenues	(68,243)	30,112	39,614	29,606	14,176	409,892	20,405	423,225
Expenditures								
Direct Expenditures								
Salaries	-	10,389	14,255	10,418	5,965	26,231	8,450	-
Employee Benefits	-	6,161	8,538	5,954	3,173	15,209	3,836	-
Annual Leave	-	763	1,069	750	461	1,425	515	-
Travel	6,114	1,340	290	153	-	1,098	1,287	-
Contracted Services	-	-	-	-	-	300,122	-	312,601
Duplicating	-	387	309	309	309	3	384	-
Postage	-	323	323	323	323	-	174	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	40,474	3,962	5,614	5,215	352	3,991	781	-
In-Kind Expenditures	-	-	-	-	-	44,894	-	110,624
Total Direct Expenditures	46,588	23,325	30,398	23,122	10,583	392,973	15,427	423,225
Shared Costs Applied	-	6,787	9,216	6,484	3,593	16,919	4,978	-
Total Expenditures	46,588	30,112	39,614	29,606	14,176	409,892	20,405	423,225
Excess of Revenues Over (Under)								
Expenditures	\$ (114,831)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

	Aging							
	Title III Home Delivered Meals	Title III Disease Prevention	Federal Caregiver Services	Elder Abuse	Title VII Ombudsman	USDA	Title V Senior Employment	CMS Assessment Tool
Revenues								
Federal	\$ 227,456	\$ 14,865	\$ 96,405	\$ 3,847	\$ 6,348	\$ 129,384	\$ 174,365	\$ 620
State	49,091	4,216	36,699	-	-	-	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	677	1,116	-	-	-
Local Applied to Grants	-	-	599	133	218	-	1,191	-
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	42,138	6,087	-	-	-	-	20,016	-
Total Revenues	318,685	25,168	133,703	4,657	7,682	129,384	195,572	620
Expenditures								
Direct Expenditures								
Salaries	-	-	32,777	1,928	3,181	-	5,766	268
Employee Benefits	-	-	14,850	875	1,444	-	3,152	159
Annual Leave	-	-	1,587	118	194	-	409	17
Travel	-	-	4,252	294	484	-	60	-
Contracted Services	276,547	19,081	57,221	-	-	129,384	162,040	-
Duplicating	-	-	731	88	145	-	-	-
Postage	-	-	717	40	66	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	-	-	2,155	178	294	-	701	-
In-Kind Expenditures	42,138	6,087	-	-	-	-	20,016	-
Total Direct Expenditures	318,685	25,168	114,290	3,521	5,808	129,384	192,144	444
Shared Costs Applied	-	-	19,413	1,136	1,874	-	3,428	176
Total Expenditures	318,685	25,168	133,703	4,657	7,682	129,384	195,572	620
Excess of Revenues Over (Under)								
Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

	Aging							
	State Caregiver Services	MIPPA ADRC	Disability Resource Center	Arthritis Grant	MIPPA SHIP	MIPPA AAA	Veterans Directed Services	Participant Directed Services
Revenues								
Federal	\$ -	\$ 4,492	\$ 17,640	\$ 2,525	\$ 18,304	\$ 9,550	\$ -	\$ -
State	20,472	-	17,640	-	-	-	-	1,308,557
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	182	21
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	-	232	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	-	954,850	44,912
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	<u>20,472</u>	<u>4,724</u>	<u>35,280</u>	<u>2,525</u>	<u>18,304</u>	<u>9,550</u>	<u>955,032</u>	<u>1,353,490</u>
Expenditures								
Direct Expenditures								
Salaries	6,241	2,062	12,619	1,517	-	4,206	48,101	153,793
Employee Benefits	4,398	1,004	6,117	759	-	2,195	28,162	101,308
Annual Leave	87	97	621	104	-	235	3,070	8,413
Travel	17	131	1,352	-	-	131	2,210	15,607
Contracted Services	5,291	-	-	-	18,304	-	834,297	989,849
Duplicating	49	114	5	-	-	114	173	1,892
Postage	203	-	-	-	-	170	794	2,458
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	44	101	2,788	-	-	-	3,701	7,740
In-Kind Expenditures	-	-	-	-	-	-	-	-
Total Direct Expenditures	<u>16,330</u>	<u>3,509</u>	<u>23,502</u>	<u>2,380</u>	<u>18,304</u>	<u>7,051</u>	<u>920,508</u>	<u>1,281,060</u>
Shared Costs Applied	<u>4,142</u>	<u>1,215</u>	<u>7,560</u>	<u>902</u>	<u>0</u>	<u>2,499</u>	<u>30,631</u>	<u>103,272</u>
Total Expenditures	<u>20,472</u>	<u>4,724</u>	<u>31,062</u>	<u>3,282</u>	<u>18,304</u>	<u>9,550</u>	<u>951,139</u>	<u>1,384,332</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,218</u>	<u>\$ (757)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,893</u>	<u>\$ (30,842)</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Aging</u>							
	<u>Functional Assessment Services Team</u>	<u>State Long- Term Care Ombudsman</u>	<u>SHIP</u>	<u>USDA Family Daycare</u>	<u>Homecare Services</u>	<u>Joint Funding Administration</u>	<u>Delta Regional Authority</u>	<u>Citizens Corp</u>
Revenues								
Federal	\$ 999	\$ -	\$ 32,699	\$ 85,269	\$ -	\$ 95,892	\$ 21,410	\$ 22,735
State	-	58,720	-	-	855,259	43,393	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Local Applied to Grants	-	1,948	290	-	34,257	101,521	-	-
Other Revenues	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	-	-	1,915	-	50,377	-	-	-
Total Revenues	<u>999</u>	<u>60,668</u>	<u>34,904</u>	<u>85,269</u>	<u>939,893</u>	<u>240,806</u>	<u>21,410</u>	<u>22,735</u>
Expenditures								
Direct Expenditures								
Salaries	-	25,103	859	15,729	79,362	103,713	9,223	6,763
Employee Benefits	-	11,396	469	5,693	47,459	55,964	5,459	3,485
Annual Leave	-	1,530	69	302	5,267	8,129	626	444
Travel	-	3,869	-	674	3,717	5,672	498	-
Contracted Services	-	-	31,064	71,817	688,906	-	-	-
Duplicating	-	1,141	-	74	878	1,657	506	9
Postage	-	517	-	103	860	483	137	5
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other Direct Costs	999	2,321	-	249	10,679	416	27	7,886
In-Kind Expenditures	-	-	1,915	-	50,377	-	-	-
Total Direct Expenditures	<u>999</u>	<u>45,877</u>	<u>34,376</u>	<u>94,641</u>	<u>887,505</u>	<u>176,034</u>	<u>16,476</u>	<u>18,592</u>
Shared Costs Applied	-	14,791	528	8,308	52,388	64,772	5,924	4,143
Total Expenditures	<u>999</u>	<u>60,668</u>	<u>34,904</u>	<u>102,949</u>	<u>939,893</u>	<u>240,806</u>	<u>22,400</u>	<u>22,735</u>
Excess of Revenues Over (Under)								
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,680)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (990)</u>	<u>\$ -</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

	Local Economic Development	Campbell Strong	Water Management/ Resources	Revolving Loan Fund	Intermediary Relending Program	Between the Rivers Duplex	Neighborhood Stabilization Program	Pennyrile Housing Corporation
Revenues								
Federal	\$ -	\$ 411,681	\$ -	\$ -	\$ -	\$ -	\$ 10,212	\$ -
State	5,000	-	70,528	-	-	-	-	-
Local								
Annual Assessments	-	-	-	-	-	-	-	-
Interest Income	-	-	-	21,948	23,648	-	-	4,369
Local Match	-	84,559	-	-	-	-	-	-
Local Applied to Grants	-	-	-	-	-	-	-	-
Other Revenues	382,447	-	-	-	-	44,075	-	30,224
Program Income	-	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-	-
Total Revenues	387,447	496,240	70,528	21,948	23,648	44,075	10,212	34,593
Expenditures								
Direct Expenditures								
Salaries	132,652	82,205	34,991	4,190	2,985	1,059	-	17,472
Employee Benefits	75,360	17,669	16,509	2,298	1,727	750	-	11,946
Annual Leave	9,463	1,777	2,439	334	233	104	-	1,700
Travel	3,545	7,593	5,728	902	466	285	-	266
Contracted Services	-	279,106	-	-	-	-	10,212	-
Duplicating	162	1	270	-	-	-	-	-
Postage	218	12	249	-	-	-	-	6
Depreciation	-	-	-	-	-	23,546	-	-
Interest	-	-	-	-	7,018	7,042	-	1,563
Other Direct Costs	4,901	53,065	1,889	231	308	19,074	-	974
In-Kind Expenditures	-	41,386	-	-	-	-	-	-
Total Direct Expenditures	226,301	482,814	62,075	7,955	12,737	51,860	10,212	33,927
Shared Costs Applied	84,486	13,429	20,564	2,616	1,841	682	-	11,483
Total Expenditures	310,787	496,243	82,639	10,571	14,578	52,542	10,212	45,410
Excess of Revenues Over (Under)								
Expenditures	\$ 76,660	\$ (3)	\$ (12,111)	\$ 11,377	\$ 9,070	\$ (8,467)	\$ -	\$ (10,817)

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Home Ownership Counseling</u>	<u>Pennyrile Dev. & Gov't Center</u>	<u>Computer Services</u>	<u>Regional Transportation</u>	<u>Local Road Updates</u>	<u>Rural Business Enterprise</u>	<u>West Kentucky Workforce Board</u>
Revenues							
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 4,328,945
State	650	-	-	78,067	17,200	-	105,974
Local							
Annual Assessments	-	-	-	-	-	-	-
Interest Income	-	689	-	-	-	-	-
Local Match	-	-	-	8,674	-	-	27
Local Applied to Grants	-	-	-	-	-	-	480
Other Revenues	-	65,285	4,151	-	-	-	-
Program Income	-	-	-	-	-	-	-
In-Kind Revenue	-	-	-	-	-	-	-
Total Revenues	<u>650</u>	<u>65,974</u>	<u>4,151</u>	<u>86,741</u>	<u>17,200</u>	<u>50,000</u>	<u>4,435,426</u>
Expenditures							
Direct Expenditures:							
Salaries	54	-	1,311	42,898	8,905	-	648,196
Employee Benefits	98	-	664	16,457	3,775	-	277,640
Annual Leave	5	-	75	4,170	590	-	43,942
Travel	-	-	194	1,602	859	-	83,005
Contracted Services	-	-	-	-	-	50,000	1,717,070
Duplicating	-	-	1	606	-	-	9,486
Postage	-	-	27	214	-	-	1,394
Depreciation	-	41,931	-	-	-	-	-
Interest	-	21,513	-	-	-	-	-
Other Direct Costs	-	1,841	577	-	-	-	1,299,524
In-Kind Expenditures	-	-	-	-	-	-	-
Total Direct Expenditures	<u>157</u>	<u>65,285</u>	<u>2,849</u>	<u>65,947</u>	<u>14,129</u>	<u>50,000</u>	<u>4,080,257</u>
Shared Costs Applied	61	-	796	24,774	5,244	-	355,169
Total Expenditures	<u>218</u>	<u>65,285</u>	<u>3,645</u>	<u>90,721</u>	<u>19,373</u>	<u>50,000</u>	<u>4,435,426</u>
Excess of Revenues Over (Under)							
Expenditures	<u>\$ 432</u>	<u>\$ 689</u>	<u>\$ 506</u>	<u>\$ (3,980)</u>	<u>\$ (2,173)</u>	<u>\$ -</u>	<u>\$ -</u>

PENNYRILE AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - STATUTORY BASIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Shared Cost Allocation</u>	<u>Total</u>
Revenues		
Federal	\$ -	\$ 6,341,538
State	-	2,897,047
Local		
Annual Assessments	-	67,909
Interest Income	-	60,517
Local Match	-	84,586
Local Applied to Grants	-	(29)
Other Revenues	-	1,541,533
Program Income	-	-
In-Kind Revenue	-	276,051
	<u>-</u>	<u>11,269,152</u>
Total Revenues	<u>-</u>	<u>11,269,152</u>
Expenditures		
Direct Expenditures		
Salaries	298,972	1,864,809
Employee Benefits	187,695	949,807
Annual Leave	26,278	127,412
Travel	65,059	218,754
Contracted Services	-	5,952,912
Duplicating	3,783	23,586
Postage	6,035	16,174
Depreciation	21,673	87,150
Interest	-	37,136
Other Direct Costs	286,733	1,769,785
In-Kind Expenditures	-	317,437
	<u>896,228</u>	<u>11,364,962</u>
Total Direct Expenditures	896,228	11,364,962
Shared Costs Applied	<u>(896,228)</u>	<u>(4)</u>
Total Expenditures	<u>-</u>	<u>11,364,958</u>
Excess of Revenues Over (Under)		
Expenditures	<u>\$ -</u>	<u>\$ (95,806)</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Pennyriple Area Development District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pennyriple Area Development District's basic financial statements and have issued our report thereon dated December 10, 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pennyriple Area Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

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To the Board of Directors
Pennyrile Area Development District
December 10, 2018
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the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Calhoun & Company

Hopkinsville, Kentucky
December 10, 2018



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH 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, 2018. Pennyrile Area Development District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pennyrile Area Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). 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 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, 2018.

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To the Board of Directors
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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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Calhoun & Company

Hopkinsville, Kentucky
December 10, 2018

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified That are not Considered to be Material Weaknesses?	None Reported
Type of Auditor’s Report Issued on Compliance for Major Programs:	Unmodified
Audit Findings Disclosed that are Required to be Reported in Accordance with Section 2 CFR 200.516(a)?	None Reported
Identification of Major Programs:	
Aging Cluster	
CFDA #93.044 – Title III B – Support Services	
CFDA #93.045 – Title III C – Nutrition Services	
CFDA #93.053 – Nutrition Services Incentive	
CFDA #10.767 – Intermediary Relending Program	
Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

**PENNYRILE AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

No Matters Were Reported.

Section III – Federal Award Findings and Questioned Costs

No Matters Were Reported.