Barren River Area Development District

Financial Statements

June 30, 2016

Barren River Area Development District
Table of Contents
June 30, 2016

REPORT

Carr, Riggs & Ingram, LLC

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Independent Auditors' Report

Board of Directors
Barren River Area Development District
Bowling Green, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Barren River Area Development District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and select pension information on pages 4 through 14 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 District's basic financial statements. The combining statements, specific grant activity reports and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

The combining statements, grant activity reports, other information, 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 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 statements, grant activity reports, other information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of Barren River Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on our test of its compliance and the results of that testing, and not to provide and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 22, 2016

FINANCIAL STATEMENTS

BARREN RIVER AREA DEVELOPMENT DISTRICT (BRADD)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016

As management of the Barren River Area Development District (BRADD), we offer readers of BRADD's financial statements this narrative overview and analysis of the financial activities of BRADD for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

BRADD MAJOR PROGRAMS AND SERVICES

Programs and activities of the BRADD are operated under the general direction of a Board composed of representation from the ten county area, which includes Allen, Barren, Butler, Edmonson, Hart, Logan, Metcalfe, Monroe, Simpson and Warren. The Executive Director coordinates and administers a staff to provide the programs and services set forth by the Board. Goals and objectives of the BRADD are outlined in the Comprehensive Economic Development Strategy (CEDS), which is updated annually.

- **Aging and Independent Living Services** administers the provision of aging related services in the ten county region, through the Area Agency on Aging and Independent Living, including the Consumer Directed Option (CDO) program.
- **Community and Economic Development** provides assistance to local governments and industrial development agencies developing physical resources to meet demands for community, business, and industrial growth and expansion; offers funding through RLF loan programs to qualified projects.
- **Information Systems and Data Services** maintains and provides a variety of information ranging from Census data, maps, and transportation counts to the creation of data sets using the Geographic Information System (GIS) and Global Positioning Satellite (GPS) tools.
- **Employment and Training Services** administers job-training and employment services in the region to prepare economically disadvantaged youth, adults and dislocated workers facing barriers to entry into the labor force through the South Central Workforce Development Board (SCWDB); coordinates with local employers and economic development representatives to meet their workforce demands.
- **Government Services** provides a broad range of services to local governments including technical assistance, training, and publications.
- **Planning Services** provides staffing support for activities to protect the resources of the ten county area. Programs include water and wastewater supply planning, waste management, and comprehensive planning.
- **Transportation and Transit Planning Services** provides coordination of transportation of planning efforts between the State and local governments and provides information and technical assistance to local governments for street and road funding and development of airports, bikeways and public transportation systems.

FINANCIAL HIGHLIGHTS

- Net position for governmental activities is $1,080,023 and $943,329 as of June 30, 2015 and 2016, respectively. The FY16 amount includes $815,790 invested in capital assets, $500,296 restricted for grant programs, $246,401 restricted for building maintenance, and ($619,158) is unrestricted. The amount restricted for building maintenance is new in FY 16 because of the cash that was transferred from BRDC to BRADD to be used only for building maintenance.
- For governmental activities, revenues are $9,040,270 for the year ended June 30, 2016. For the year ended June 30, 2015, revenues were $8,168,043. The increase of $872,227 from 2015 to 2016 is primarily attributable to an increase in Consumer Directed Options (CDO) program.
- The net increase in fund balances for all funds during the year ended June 30, 2016 is $125,823, which is primarily attributable to the transfer of cash from BRDC. Fund balances increased for the Special Revenue Funds by $27,763 and increased for the General Fund by $98,060.
- Barren River Development Council (BRDC) is a blended component unit of the District and shown as an enterprise fund on the District's financial statements. The Council's purpose is to support the operations of the District. BRDC transferred all capital assets to BRADD during 2015. The cash of BRDC was transferred to BRADD in 2016 and BRDC was legally dissolved as of September 30, 2015.
- Barren River Local Officials Organization (BRLOO) is also a blended component unit of the District and is shown as an enterprise fund on the District's financial statements. BRLOO's purpose is to promote the economic development of the District, to acquire and lease transit vehicles for local service agencies and to appoint business sector and citizen members of the South Central Workforce Development Board. BRLOO's net position is $117,561 and $170,163 as of June 30, 2015 and 2016 respectively.

BASIC FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements, fund financial statements, proprietary fund statements, and related notes. The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which provide information about the activities of BRADD as a whole and present a longer-term view of BRADD's finances. The fund financial statements focus on governmental activities and how various services were financed in the short-term as well as the balance remaining for future spending. Fund financial statements also report BRADD's operations in more detail than the government-wide statements by providing information about BRADD's most significant funds. The proprietary fund statements are used to document the activities of BRDC and BRLOO and include the Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balances, and Statement of Cash Flows. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of BRADD's finances, in a manner similar to private-sector business. These statements report information about the BRADD using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is paid or received.

The Statement of Net Position presents information on all of BRADD's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BRADD is improving or deteriorating.

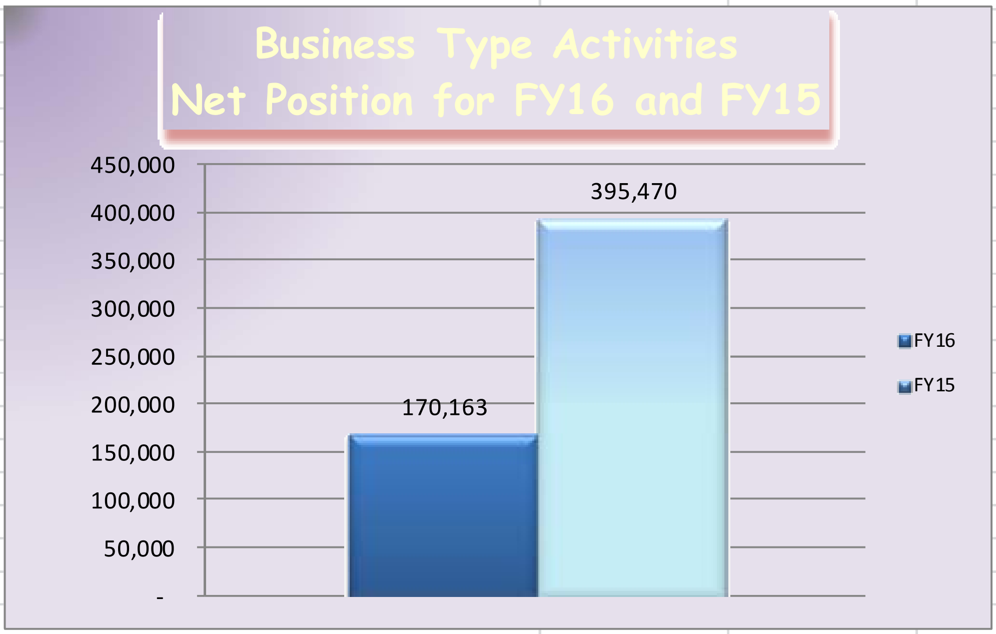
The Statement of Activities presents information showing how BRADD's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the BRADD that are principally supported by grants and agreements between BRADD and various units of government.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not BRADD as a whole. BRADD's basic services are reported in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of BRADD's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance BRADD's programs. BRADD's funds consist of the Local (or General Fund), JFA and Non-JFA, Aging, WIA/WIOA, Consumer Directed Option and Revolving Loan Fund.

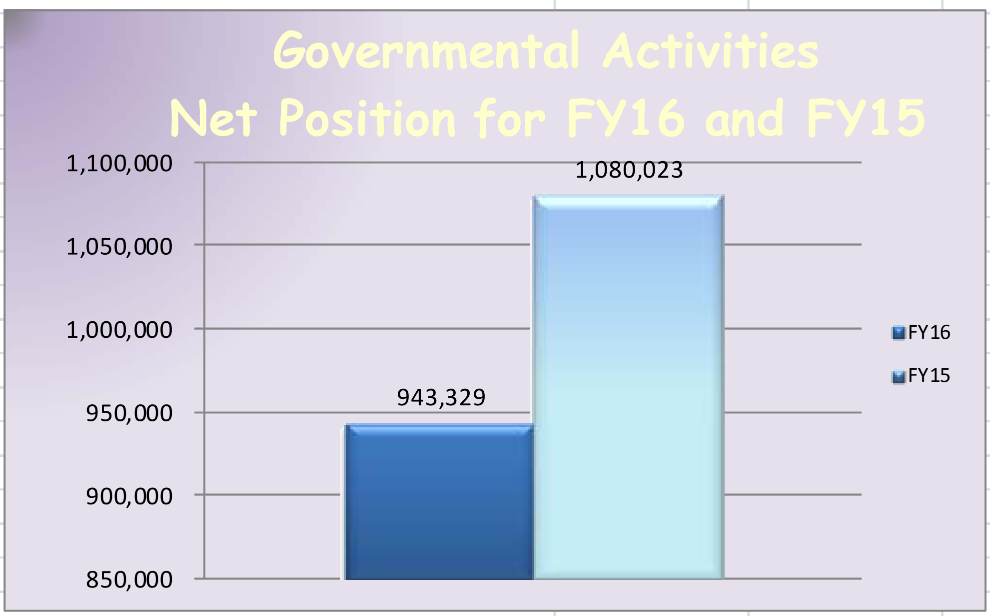
Business Type Activities			
Net Position for June 30, 2016 and June 30, 2015			
			Percentage
	FY16	FY15	Change
Cash and Investments	31,467	312,331	-89.93%
Capital Assets, net	138,696	85,139	62.91%
Total Assets	**170,163**	**397,470**	**-57.19%**
Accounts Payable	-	2,000	-100.00%
Total Liabilities	**-**	**2,000**	**-100.00%**
Investment in Capital Assets	138,696	85,139	62.91%
Unrestricted Funds	31,467	310,331	-89.86%
Total Net Position	**170,163**	**395,470**	**-56.97%**



* At year-end assets exceeded liabilities by $170,163 with a net change of ($225,307) or -56.97%.

Governmental Activities
Net Position for June 30, 2016 and June 30, 2015

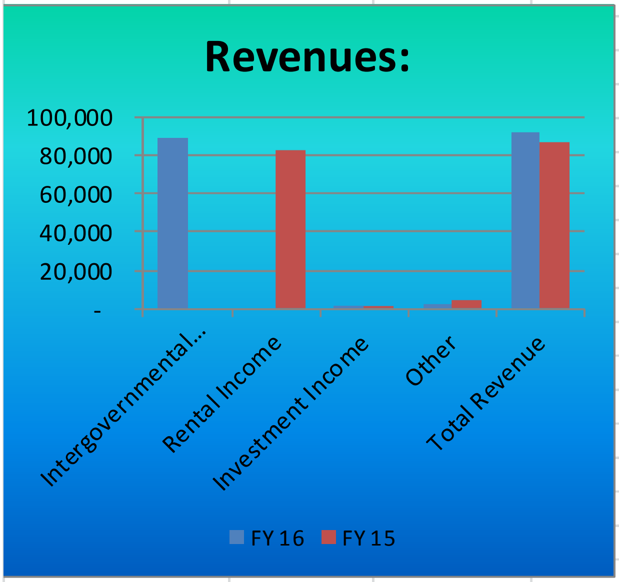
	FY16	FY15	Percentage Change
Cash and Investments	2,103,501	1,943,825	8.21%
Grants Receivable	850,777	688,481	23.57%
Accounts Receivable	227,907	153,697	48.28%
Loans, net	326,395	277,844	17.47%
Other	37,672	3,581	952.00%
Capital Assets, net	815,790	885,521	-7.87%
Total Assets	**4,362,042**	**3,952,949**	**10.35%**
Pension Related	562,967	288,048	95.44%
Total Deferred Outflows of Resources	**562,967**	**288,048**	**95.44%**
Accounts Payable	701,934	459,094	52.90%
Accrued Liabilities	211,224	124,745	69.32%
Unearned Revenue	60,200	41,667	44.48%
Compensated Absences	101,617	96,508	5.29%
Net Pension Liability	2,904,556	2,194,000	**32.39%**
Total Liabilities	**3,979,531**	**2,916,014**	**36.47%**
Pension Related	2,149	245,000	-99.12%
Total Deferred Inflows of Resources	**2,149**	**245,000**	**-99.12%**
Investment in Capital Assets	815,790	885,521	-7.87%
Restricted for Grant Programs	500,296	559,725	-10.62%
Restricted for Building Maintenance	246,401	-	
Unrestricted Funds	(619,158)	(365,223)	69.53%
Total Net Position	**943,329**	**1,080,023**	**-12.66%**

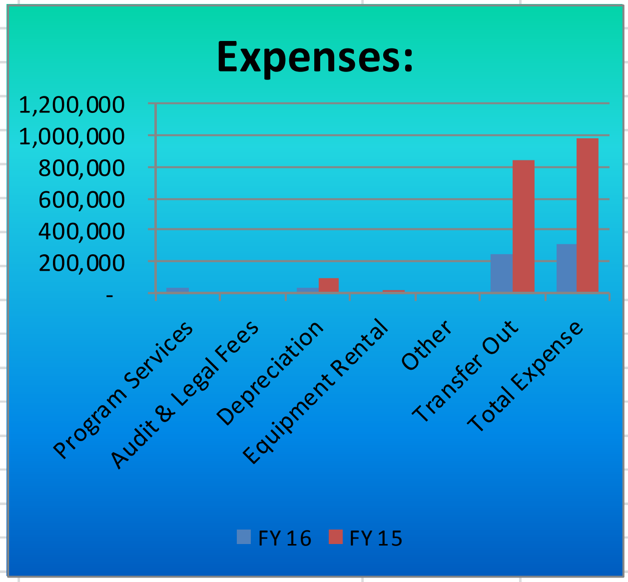


* At year-end assets exceeded liabilities by $943,329 with a net change of ($136,694) or -12.66%.

REVENUES AND EXPENSES FOR BUSINESS TYPE ACTIVITIES:

Business type revenues increased $4,286 from FY 15 to FY 16 due to purchases of vehicles for BRLOO; however there was no rental income for BRDC. Business type expenditures decreased $659,617 from FY 15 to FY 16 due to transfer of capital assets from BRDC to BRADD in FY 15.





REVENUES FOR GOVERNMENTAL ACTIVITIES

For governmental activities, revenues are $9,040,270 for the year ended June 30, 2016, representing an increase of $872,227 or 10.68% from $8,168,043 for the year ended June 30, 2015.

	2016 Revenue $	2016 Revenue %	2015 Revenue $	2015 Revenue %	Change in $	Change in %
Program Revenues:						
Charges for Services	83,604	0.92%	81,712	1.00%	1,892	2.32%
Operating Grants and Contributions	8,952,625	99.03%	8,082,922	98.96%	869,703	10.76%
Total program revenues	9,036,229		8,164,634		871,595	
General Revenues:						
Investment Income	4,041	0.04%	3,409	0.04%	632	18.54%
Total Revenues	9,040,270		8,168,043		872,227	10.68%

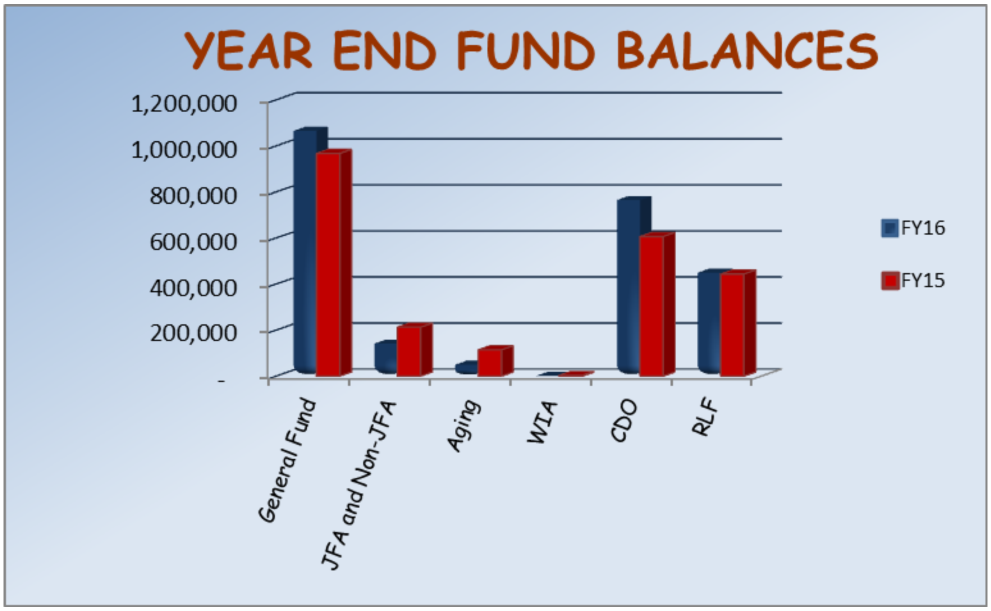
EXPENSES FOR GOVERNMENTAL ACTIVITIES

For governmental activities, expenses are $9,423,717 for the year ended June 30, 2016, representing an increase of $1,477,370 or 18.59% from $7,946,347 for the year ended June 30, 2015. Object expenses as a percentage of total expenses for both years are as follows:

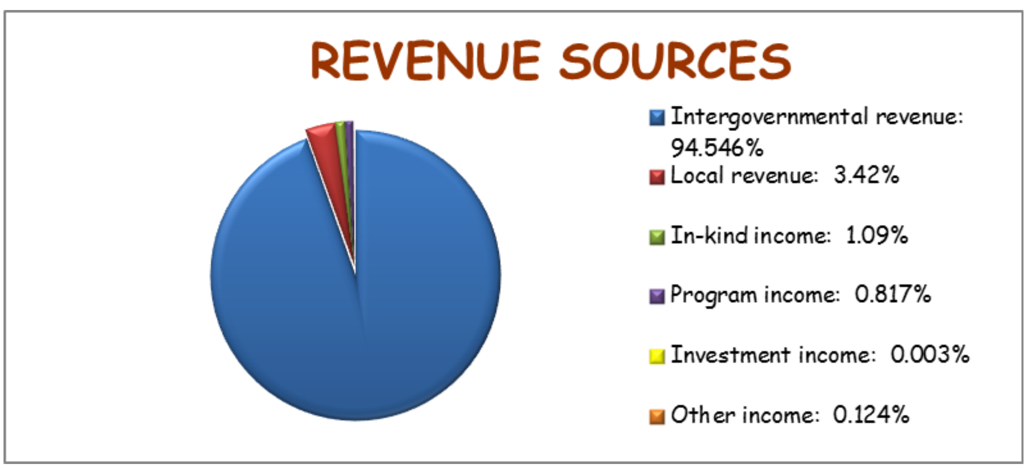
	2016 Expense $	2016 Expense %	2015 Expense $	2015 Expense %	Change in $	Change in %
Governmental Activities						
Object Expenses:						
Program Services	5,828,547	61.85%	4,946,128	62.24%	882,419	17.84%
Personnel	2,746,752	29.15%	2,318,469	29.18%	428,283	18.47%
Contractual Services	125,843	1.34%	31,393	0.40%	94,450	300.86%
Travel	80,574	0.86%	86,393	1.09%	(5,819)	-6.74%
Repairs and Maintenanc	54,081	0.57%	15,445	0.19%	38,636	250.15%
Insurance	33,355	0.35%	34,588	0.44%	(1,233)	-3.56%
Direct Other	83,583	0.89%	111	0.00%	83,472	75200.00%
Audit & Legal Fees	51,587	0.55%	41,055	0.52%	10,532	25.65%
Space & Rental	20,630	0.22%	87,275	1.10%	(66,645)	-76.36%
Equipment	8,000	0.08%			8,000	
Telephone	14,520	0.15%	15,961	0.20%	(1,441)	-9.03%
Office Supplies	28,519	0.30%	35,302	0.44%	(6,783)	-19.21%
Postage	10,779	0.11%	10,784	0.14%	(5)	-0.05%
Printing	20,887	0.22%	28,214	0.36%	(7,327)	-25.97%
Pension Management	3,516	0.04%	3,787	0.05%	(271)	-7.16%
Miscellaneous	11,042	0.12%	13,745	0.17%	(2,703)	-19.67%
Staff Training	77,436	0.82%	83,400	1.05%	(5,964)	-7.15%
Meeting	21,830	0.23%	24,128	0.30%	(2,298)	-9.52%
Utilities	30,490	0.32%	31,558	0.40%	(1,068)	-3.38%
Depreciation	69,731	0.74%	13,722	0.17%	56,009	408.17%
Computer Support & M	38,896	0.41%	62,612	0.79%	(23,716)	-37.88%
Marketing & Advertisin	24,526	0.26%	23,774	0.30%	752	3.16%
Janitorial	14,257	0.15%	14,163	0.18%	94	0.66%
Dues & Subscriptions	24,336	0.26%	24,340	0.31%	(4)	-0.02%
Total Expenses	9,423,717		7,946,347		1,477,370	18.59%

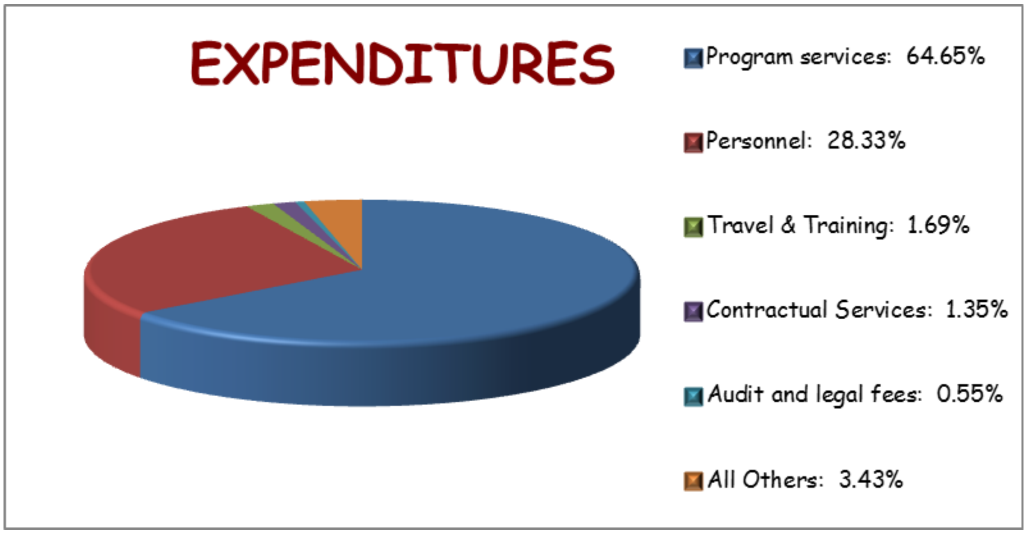
FUND BALANCES

Fund balances overall increased $125,823 or 5.36% from $2,345,454 to $2,471,277 between FY 15 and FY 16.



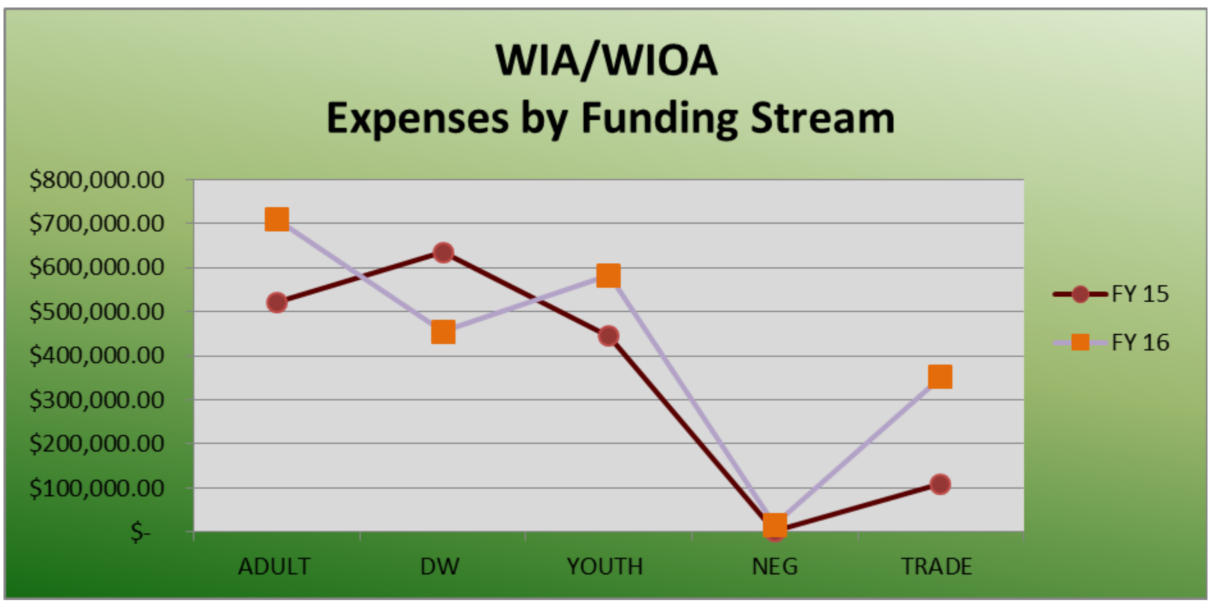
REVENUES VS EXPENDITURES



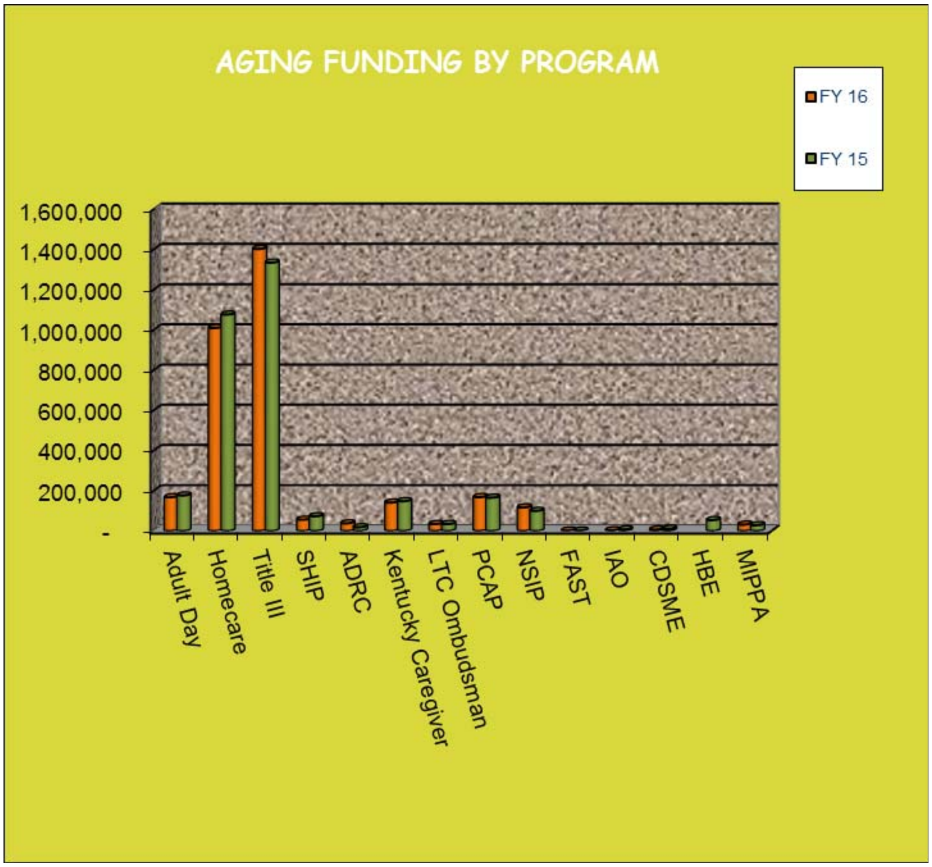


- Examples of other expenditures are insurance, utilities, and computer support and maintenance.
- Intergovernmental revenue accounts for 95% of total revenues while program services accounts for 65% of total expenditures.

SPECIAL REVENUE FUNDS



- Services include assessments, career counseling, soft skills, workshops, on-the-job training contracts, internships, and post-secondary training as determined necessary for customer to obtain self-sufficient employment.
- WIA/WIOA expenses increased about $400,000 in FY 16 due to more trade customers from a layoff at Fort Dearborn and an increase in youth expenditures due to more customers..



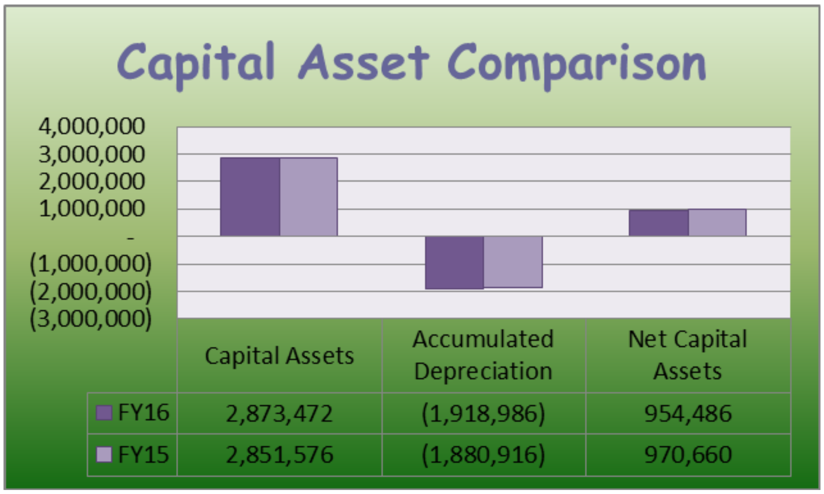
- Overall Intergovernmental Aging funding decreased approximately $54,000 during FY 16 due to State budget reductions.
- Examples of aging services include case management, home delivered meals and legal assistance.

ADDITIONAL SPECIAL REVENUE FUNDS

- Revolving Loan Fund (RLF) fund balance increased due to more interest income being collected and loans being current resulting in no change in provision for loan losses.
- Consumer Directed Option (CDO) fund balance increased due to more clients and the program being a cost reimbursement program.
- General Fund balance increased primarily due to BRDC transfer of cash to BRADD.
- JFA and Non-JFA fund balance decreased due to performance based agreements.

CAPITAL ASSETS

At June 30, 2016, BRADD and its component units had invested $2,873,472 in capital assets, consisting of land, building, furniture, equipment, and vehicles. The accumulated depreciation on those assets is $1,918,986; therefore, net capital assets are $954,486. This is a decrease of $16,174 or 1.67% of net capital assets from FY 15.



OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the BRADD is continued adequate funding from federal and state grantor agencies. Since mandated special programs remain underfunded and must be supplemented with local funds, increases from locally generated funds must be sought. BRADD will continue to operate conservatively to assure that a deficit does not occur due to federal and state under-funding. In addition, BRADD will continue to utilize financial funds from federal, state, and local agencies to provide beneficial services to the cities and counties in the region. BRADD will continue efforts to generate new program opportunities and funding sources as a top priority.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and other stakeholders with a general overview of the Barren River Area Development District's accountability for the funding received. Any questions about this report or requests for additional information should be directed to Gene Becker, Interim Executive Director, at Barren River Area Development District, 177 Graham Avenue, Bowling Green, KY 42101, or by calling (270) 781-2381.

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 2,103,501	$ 31,467	$ 2,134,968
Grants receivable	850,777	-	850,777
Accounts receivable	227,907	-	227,907
Loans, net	326,395	-	326,395
Other	37,672	-	37,672
Nondepreciable capital assets	71,133	-	71,133
Depreciable capital assets	2,037,039	765,300	2,802,339
Less: accumulated depreciation	(1,292,382)	(626,604)	(1,918,986)
Total assets	4,362,042	170,163	4,532,205
Deferred Outflows of Resources			
Pension related	562,967	-	562,967
Total deferred outflows of resources	562,967	-	562,967
Liabilities			
Accounts payable	701,934	-	701,934
Accrued liabilities	211,224	-	211,224
Unearned revenue	60,200	-	60,200
Compensated absences	101,617	-	101,617
Net pension liability	2,904,556	-	2,904,556
Total liabilities	3,979,531	-	3,979,531
Deferred Inflows of Resources			
Pension related	2,149	-	2,149
Total deferred inflows of resources	2,149	-	2,149
Net Position			
Net investment in captial assets	815,790	138,696	954,486
Restricted			
Grant programs	500,296	-	500,296
Building maintenance	246,401		246,401
Unrestricted	(619,158)	31,467	(587,691)
Total net position	$ 943,329	$ 170,163	$ 1,113,492

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

Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Program services	$ 5,828,547	$ 83,604	$ 5,619,972	$ -	$ (124,971)	$ -	$ (124,971)
Personnel	2,746,752	-	2,553,966	-	(192,786)	-	(192,786)
Contractual services	125,843	-	125,843	-	-	-	-
Travel	80,574	-	80,574	-	-	-	-
Repairs and maintenance	54,081	-	54,081	-	-	-	-
Insurance	33,355	-	33,355	-	-	-	-
Direct other	83,583	-	83,583	-	-	-	-
Audit and legal fees	51,587	-	51,587	-	-	-	-
Space and rental	20,630	-	20,630	-	-	-	-
Equipment	8,000	-	8,000	-	-	-	-
Telephone	14,520	-	14,520	-	-	-	-
Office supplies	28,519	-	28,519	-	-	-	-
Postage	10,779	-	10,779	-	-	-	-
Printing	20,887	-	20,887	-	-	-	-
Pension management	3,516	-	3,516	-	-	-	-
Miscellaneous	11,042	-	11,042	-	-	-	-
Staff training	77,436	-	77,436	-	-	-	-
Depreciation - unallocated	69,731	-	-	-	(69,731)	-	(69,731)
Utilities	30,490	-	30,490	-	-	-	-
Computer support and maintenance	38,896	-	38,896	-	-	-	-
Marketing and advertising	24,526	-	24,526	-	-	-	-
Meeting	21,830	-	21,830	-	-	-	-
Janitorial	14,257	-	14,257	-	-	-	-

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

Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Dues and subscriptions	24,336	-	24,336	-	-	-	-
Total governmental activities	9,423,717	83,604	8,952,625	-	(387,488)	-	(387,488)
Business-type activities							
Program services	30,000	-	-	88,939	-	58,939	58,939
Audit and legal fees	2,169	-	-	-	-	(2,169)	(2,169)
Depreciation expense	37,578	-	-	-	-	(37,578)	(37,578)
Other	205	2,196	-	-	-	1,991	1,991
Total business-type activites	69,952	2,196	-	88,939	-	21,183	21,183
Total government	$ 9,493,669	$ 85,800	$ 8,952,625	$ 88,939	(387,488)	21,183	(366,305)
General Revenues							
Investment income					4,041	263	4,304
Transfers					246,753	(246,753)	-
Total general revenues					250,794	(246,490)	4,304
Change in net position					(136,694)	(225,307)	(362,001)
Net position - beginning of year					1,080,023	395,470	1,475,493
Net position - end of year					$ 943,329	$ 170,163	$ 1,113,492

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

June 30, 2016	General Fund	Special Revenue Funds	Total Governmental Funds
Assets			
Cash and investments	$ 1,031,401	$ 1,072,100	$ 2,103,501
Due from other funds	179,780	283,555	463,335
Grants receivable	-	850,777	850,777
Accounts receivable	-	227,907	227,907
Loans, net	16,017	310,378	326,395
Other	-	37,672	37,672
Total assets	$ 1,227,198	$ 2,782,389	$ 4,009,587
Liabilities and Fund Balances			
Liabilities			
Due to other funds	$ 47,473	$ 415,862	$ 463,335
Accounts payable	96,950	604,984	701,934
Accrued payroll taxes	-	211,224	211,224
Unearned revenue	17,359	42,841	60,200
Compensated absences	-	101,617	101,617
Total liabilities	161,782	1,376,528	1,538,310
Fund Balances			
Non-Spendable	-	36,847	36,847
Restricted	246,401	500,296	746,697
Assigned	-	868,718	868,718
Unassigned	819,015	-	819,015
Total fund balances	1,065,416	1,405,861	2,471,277
Total liabilities and fund balances	$ 1,227,198	$ 2,782,389	$ 4,009,587

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

Barren River Area Development District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

June 30,		**2016**
Total fund balances - governmental funds	$	2,471,277
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $2,108,172 and the accumulated depreciation is $1,292,382.		815,790
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.		560,818
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Net pension liability		(2,904,556)
Total net position - governmental activities	$	943,329

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

Barren River Area Development District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2016	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues			
Intergovernmental revenue	$ -	$ 8,449,196	$ 8,449,196
Local revenue	83,106	305,622	388,728
In-kind income	-	97,418	97,418
Program income	1,261	73,006	74,267
Investment income	3,773	268	4,041
Other income	15,502	11,118	26,620
Total revenues	103,642	8,936,628	9,040,270
Expenditures			
Program services	-	5,828,547	5,828,547
Personnel	-	2,553,966	2,553,966
Contractual services	4,286	121,557	125,843
Travel	5,744	74,830	80,574
Repairs and maintenance	25,866	28,215	54,081
Insurance	-	33,355	33,355
Direct other	82,976	607	83,583
Audit and legal fees	2,220	49,367	51,587
Space & rental	-	20,630	20,630
Equipment	8,000	-	8,000
Telephone	-	14,520	14,520
Office supplies	-	28,519	28,519
Postage	-	10,779	10,779
Printing	-	20,887	20,887
Pension management	-	3,516	3,516
Miscellaneous	-	11,042	11,042
Staff training	-	77,436	77,436
Utilities	-	30,490	30,490
Computer support and maintenance	-	38,896	38,896
Marketing and advertising	-	24,526	24,526
Dues and subscriptions	16,966	7,370	24,336
Janitorial	-	14,257	14,257
Meeting	7	21,823	21,830
Total expenditures	146,065	9,015,135	9,161,200
Excess (deficiency) of revenues over expenditures	(42,423)	(78,507)	(120,930)

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

Barren River Area Development District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2016		**General Fund**		**Special Revenue Funds**		**Total Governmental Funds**
Other Financing Sources (Uses)						
Operating transfers in		246,753		106,270		353,023
Operating transfers out		(106,270)		-		(106,270)
Total other financing sources (uses)		140,483		106,270		246,753
Net change in fund balance		98,060		27,763		125,823
Fund balances - beginning of year		967,356		1,378,098		2,345,454
Fund balances - end of year	$	1,065,416	$	1,405,861	$	2,471,277

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

Barren River Area Development District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Year Ended June 30,		**2016**
Total net change in fund balances - governmental funds	$	125,823
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($0) exceed depreciation expense ($69,731) in the period.		(69,731)
Government funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		(192,786)
Change in net position - governmental activities	$	(136,694)

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

Barren River Area Development District
Statement of Net Position
Proprietary Funds

June 30, 2016	Barren River Development Council	Barren River Local Officials Organization	Total
Assets			
Current assets			
Cash	$ -	$ 31,467	$ 31,467
Total current assets	-	31,467	31,467
Noncurrent assets			
Fixed assets - net	-	138,696	138,696
Total noncurrent assets	-	138,696	138,696
Total assets	-	170,163	170,163
Liabilities and Net Position			
Net Position			
Net investment in capital assets	-	138,696	138,696
Unrestricted	-	31,467	31,467
Total net position	$ -	$ 170,163	$ 170,163

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

Barren River Area Development District
Statement of Revenues, Expenditures and Changes in Fund Balances
Proprietary Funds

Year Ended June 30, 2016	Barren River Development Council	Barren River Local Officials Organization	Total
Operating Revenues			
Rental income	$ -	$ -	$ -
Total operating revenues	-	-	-
Operating Expenses			
Program services	30,000	-	30,000
Audit and legal fees	1,419	750	2,169
Equipment	-	-	-
Depreciation expense	-	37,578	37,578
Miscellaneous	-	205	205
Total operating expenses	31,419	38,533	69,952
Operating loss	(31,419)	(38,533)	(69,952)
Non-Operating Revenues			
Federal grants	-	88,939	88,939
Investment income	263	-	263
Other	-	2,196	2,196
Total non-operating revenues	263	91,135	91,398
Other Financing Sources (Uses)			
Operating transfers out	(246,753)	-	(246,753)
Total other financing sources (uses)	(246,753)	-	(246,753)
Change in net position	(277,909)	52,602	(225,307)
Net position - beginning of year	277,909	117,561	395,470
Net position - end of year	$ -	$ 170,163	$ 170,163

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

Year Ended June 30, 2016	**Barren River Development Council**	**Barren River Local Officials Organization**	**Total**
Cash Flows from Operating Activities			
Cash payments for other operating expenses	$ (33,419)	$ (955)	$ (34,374)
Net cash (used in) operating activities	(33,419)	(955)	(34,374)
Cash Flows from Noncapital Financing Activities			
Operating transfer to the general fund	(246,753)	-	(246,753)
Net cash (used in) noncapital financing activities	(246,753)	-	(246,753)
Cash Flows from Capital and Related Financing Activities			
Proceeds from federal and state grants	-	88,939	88,939
Acquisition of capital assets	-	(91,135)	(91,135)
Proceeds from local contributions	-	2,196	2,196
Net cash provided by (used in) capital and related financing activities	-	-	-
Cash Flows from Investing Activities			
Investment income and other	263	-	263
Net cash provided by investing activities	263	-	263
Net (decrease) in cash	(279,909)	(955)	(280,864)
Cash - beginning of year	279,909	32,422	312,331
Cash - end of year	$ -	$ 31,467	$ 31,467

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

Year Ended June 30, 2016		Barren River Development Council		Barren River Local Officials Organization		Total
Reconciliation of Operating Loss to Net Cash Provided By (Used in) Operating Activities:						
Operating loss	$	(31,419)	$	(38,533)	$	(69,952)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation		-		37,578		37,578
Decrease in accounts payable		(2,000)		-		(2,000)
Net cash used in operating activities	$	(33,419)	$	(955)	$	(34,374)

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

NOTE 1: NATURE OF OPERATIONS AND REPORTING ENTITY

Reporting Entity

The Barren River Area Development District (the "District") supports economic development, gives technical assistance and helps in administering services and programs in the designated ten county Barren River Area of Kentucky. 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 has entered into various agreements, memoranda of agreements and contracts, all of which are subject to the financial management policies of the District.

The District receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since members of the District's Board of Directors are elected officials, or are appointed by elected officials, and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units,” the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization’s governing body, and is either able to impose its will on the organization and there is potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or nature and significance of the relationship between the District and the organization is such that exclusion would cause the District’s financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Blended Component Units

Barren River Development Council (“BRDC”) — Although it is legally separated from the District, BRDC is reported as if it were part of the primary government because of its primary purpose and the significance of its support to the operations of the District and the entities share common management. The BRDC is included as an enterprise fund on the District’s financial statements.

NOTE 1: NATURE OF OPERATIONS AND REPORTING ENTITY (CONTINUED)

Barren River Local Officials Organization (“BRLOO”)—Although it is legally separated from the District, BRLOO is reported as if it were part of the primary government because the board of governance is substantially the same and the entities share common management. BRLOO is included as an enterprise fund on the District’s financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Financial Statements — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Eliminations have been made to minimize the duplicate recording of internal activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to the District.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements — Fund financial statements report detailed information about the District’s funds. Separate statements for each fund category (governmental and proprietary) are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

Governmental Fund Types

General Fund

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

Special Revenue

JFA (Joint Funding Agreement) and Non-JFA, Aging, Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA), Revolving Loan Fund (RLF) and Consumer Directed Option (CDO) programs account for the activities of the special revenue fund that are restricted, committed or assigned to expenditures in accordance with restrictions established by the various grantors (primarily the United States Government and the Commonwealth of Kentucky). The separate projects of federally funded grant programs are identified in the accompanying schedule of expenditures of federal awards. The special revenue fund is a major fund.

Proprietary Fund Type

Enterprise Fund

The Barren River Development Council ("BRDC") Fund is a blended component unit being reported as an enterprise fund on the District's financial statements. The sole purpose of the Council is to benefit the operations of the District, primarily through the acquisition of capital assets and assistance in decision-making functions on the loan programs. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the BRDC is rental income from the District. Operating expenses for enterprise funds include program and administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The BRDC Board approved in June 2015 to transfer their capital assets to BRADD, thereby, no longer providing the facilities, equipment, and furniture & fixtures. The BRDC was legally dissolved as of September 30, 2015. All remaining assets were transferred to the District as of June 30, 2016.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Barren River Local Officials Organization ("BRLOO") is a blended component unit being reported as an enterprise fund on the District's financial statements. In accordance with federal law, the BRLOO has served as the oversight of the Workforce Investment Board, with the chair designated as the Chief Elected Official (CEO). The Board/CEO was the grant recipient and fiscal agent for the Workforce program, responsibilities which they designated the District to provide, as allowed by law. The BRLOO was also responsible for appointment of members to the Workforce Investment Board. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of BRLOO is intergovernmental revenue. Operating expenses for enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

To the proprietary activities, the District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which GASB prevails.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets.

Governmental funds are used to account for the government's general activities. Governmental fund types use the flow of current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The administration of all accounts follows an annual cost allocation plan, prepared and approved under guidelines of the Department for Local Government. The purchase of supplies and services complies with the Kentucky procurement laws. In-kind contributions included in the accompanying financial statements consist of donated facilities or services and are valued at fair market value as of the date of the donation.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are non-brokered certificates of deposit reported at cost, which approximate fair value.

Loans

The District grants commercial loans to eligible borrowers, through the Revolving Loan Fund (RLF) Program. The General Fund services an outstanding loan from a discontinued loan program. The ability of the District's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this District's area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest for loans that are placed on non-accrual or charged off is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activities column of the statement of net position, except for the net residual amounts due between governmental and business type activities, which are presented as internal balances.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

All capital assets are capitalized at cost. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure assets.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Computer equipment	5 years
Vehicles	5 years
Audio-visual equipment	7 years
Furniture and fixtures	10 years
Building and improvements	7–40 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's financial statements include a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the District's fiscal year and deferred outflows of resources related to the differences between the expected and actual demographics for the cost sharing defined benefit plan. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amounts related to the actuarial assumptions for demographic factors in the cost sharing pension plan will be recognized over a closed period equal to the average of the expected remaining services lives of all

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

employees participating in the plan. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The District's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Unearned Revenue

Monies received from federal and state grants that are in excess of allowable expenditures are recorded as unearned revenue and will be returned to the grantor upon their request, unless allowable expenditures are incurred which satisfies the grantor compliance requirements.

Compensated Absences

Compensated absences are absences for which employees will be paid for vacation. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the District and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Notes are recognized as a liability in the fund financial statements when due.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

Revenues — Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eligibility requirements include timing requirements, which specify the year in which the resources are designated for use (or the fiscal year when use is first permitted), matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Income Taxes

The District is a political subdivision and is exempt from income taxes. The District's component units qualify for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

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

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 22, 2016, which was the date the financial statements were made available.

NOTE 3: CASH AND INVESTMENTS

Deposits

At June 30, 2016, the carrying amounts of the District's deposits, which include investments, were $2,134,918 and the bank balances were $2,533,946, of which $2,533,946 was covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The District's investments consist of non-brokered certificates of deposit.

▸ *Custodial Credit Risk Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Kentucky; bonds of any city, county, school district or special road district of the State of Kentucky; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

As of June 30, 2016, the District's deposits were not exposed to custodial credit risk.

▸ *Interest Rate Risk*

The District's investment policy does not address any limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

▸ *Credit Risk*

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District's investment policy includes no other investment requirements that would further limit its investment choices.

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consist of the following:

Receivable Fund	Payable Fund	Amount	
JFA	WIA/WIOA	$	72,456
JFA	Aging		90,245
JFA	RLF		1,658
JFA	CDO		71,723
General	JFA		179,780
JFA	General		47,473

The interfund activity relates to the temporary cash needs among the funds.

NOTE 5: LOANS

At June 30, 2016, the District has outstanding loans made to local industries that are funded through federal and local loan programs. Amounts are recorded in the Revolving Loan Fund and General Fund, with outstanding loans of $326,395 at June 30, 2016, net of allowances for loan losses of $15,812. None of the District's loans were on a non-accrual status at June 30, 2016.

An analysis of allowance for loan losses as of June 30, 2016 follows:

June 30,	**2016**
Balance - beginning of year	$ 15,812
Provision for loan losses	-
Balance - end of year	$ 15,812

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	Capital Cost			
June 30, 2016	**Beginning Balance**	**Additions**	**Retirements/ Reclassifications**	**Ending Balance**
Governmental Activities				
Non-depreciable capital assets:				
Land	$ 71,133	$ -	$ -	$ 71,133
Total nondepreciable historical cost	71,133	-	-	71,133
Capital assets that are depreciated:				
Office furtniture and equipment	500,266	-	(69,239)	431,027
Office building	1,559,578	-	-	1,559,578
Vehicles	46,434	-	-	46,434
Total depreciable historical cost	2,106,278	-	(69,239)	2,037,039
Less accumulated depreciation for:				
Office furtniture and equipment	424,024	12,776	(69,239)	367,561
Office building	850,840	47,668	-	898,508
Vehicles	17,026	9,287	-	26,313
Total accumulated depreciation	1,291,890	69,731	(69,239)	1,292,382
Governmental activities, capital assets, net	$ 885,521	$ (69,731)	$ -	$ 815,790

NOTE 6: CAPITAL ASSETS (CONTINUED)

	Capital Cost			
June 30, 2016	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Business-Type Activities				
Vehicles	$ 674,165	$ 91,135	$ -	$ 765,300
Total historical cost	674,165	91,135	-	765,300
Less accumulated depreciation	589,026	37,578	-	626,604
Business-type activities, capital assets, net	$ 85,139	$ 53,557	$ -	$ 138,696

Depreciation expense is reported as a separate line in the statement of activities, and relates to program services and administration.

NOTE 7: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At June 30, 2016, the District's special revenue funds had $36,847 of prepaid amounts.

Restricted fund balances arise when constraints placed on use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. At June 30, 2016, the District's special revenue funds had $500,296 restricted for grant programs and $246,401 restricted for repairs and maintenance costs of the building.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, which for the District is the Board of Directors. The Board of Directors must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had no commitments at June 30, 2016.

NOTE 7: FUND BALANCES (CONTINUED)

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. At June 30, 2016, the District had $764,298 in the CDO fund assigned for future Aging/CDO expenses. Other special revenue funds had assigned fund balances of $104,420 for future program expenditures.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds.

NOTE 8: OPERATING LEASE COMMITMENTS

The District has commitments to lease certain equipment. Future minimum rental commitments for equipment operating leases are as follow:

June 30,	
2017	12,375
	$ 12,375

NOTE 9: RETIREMENT PLANS

The District participates in a Profit Sharing Plan (a defined contribution retirement plan) administered by the Kentucky Area Development District Pension Trust. Effective April 1, 1992, all new eligible employees were required to participate and existing employees can elect to participate in the County Employee's Retirement System (CERS), a cost-sharing multiple-employer plan (defined benefit public employee retirement plan) administered by the Kentucky Retirement Systems under the provisions of the Kentucky Revised Statutes Section 61.645. The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 564-4646.

NOTE 9: RETIREMENT PLANS (CONTINUED)

The Profit Sharing Plan provides for employer discretionary profit sharing contributions on covered payroll. The Plan also provides for discretionary matching employer contributions on covered payroll, usually 1%. However, the District is not required to contribute to the Plan for employees who perform less than a year of service and less than 1,000 hours of service. All employees are eligible to participate in the Plan after one year of service, at least 1,000 hours of service and has attained age 18 and participation is voluntary.

Employees are not required to contribute to the Plan. Participants are 100% vested after two plan years of service.

The District's employees share of funding under the County Employees Retirement System is equal to 5% (6% for new hires effective July 1, 2008) of the employee's covered salary. The District is required to contribute at an actuarially determined rate. The rate for CERS is 17.06%, 17.67%, and 18.89% for the years ended June 30, 2016, 2015 and 2014, respectively, of annual covered payroll. CERS provides retirement and disability benefits, annual cost-of-living adjustments if funding and legislation allows, and death benefits to plan members and beneficiaries.

The District's contributions to the Plans during the fiscal years ended June 30, 2016, 2015 and 2014 were:

June 30,	**2016**	**2015**	**2014**
CERS[1]	$ 302,051	$ 288,048	$ 302,829
401(k) Profit Sharing Match[1]	14,027	13,901	13,963

[1] *Equal to required contributions for each year.*

Pensions

The District participates in the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky. 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 CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 9: RETIREMENT PLANS (CONTINUED)

General Information About the CERS Pension Plan

Plan Description

All regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan are covered by the CERS – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System, under the provisions of KRS Section 61.645. CERS issues a publicly available financial report that can be found on the CERS website.

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions

Plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2016, participating employers contributed 17.06% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2016, was 17.06%.

NOTE 9: RETIREMENT PLANS (CONTINUED)

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

At June 30, 2016, the District reported a liability of $2,904,556 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability 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 share of 2015 contributions to the pension plan relative to the 2015 contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.067555%. For the year ended June 30, 2016, the District recognized pension expense of $325,930.

NOTE 9: RETIREMENT PLANS (CONTINUED)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 24,138	$ -
Net difference between projected and actual earnings on pension plan investments	26,037	-
Change of assumptions	292,893	-
Changes in proportion and differences between employer contriutions and proportionate share of contribution	-	2,149
District contributions subsequent to the measurement date	219,899	-
Total	$ 562,967	$ 2,149

$219,899 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	$ 85,230
2018	85,230
2019	85,230
2020	85,229
Thereafter	-

NOTE 9: RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	4.00%, average, including inflation
Inflation rate	3.25%
Discount rate	7.50%

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – 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 CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log - normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE 9: RETIREMENT PLANS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash Equivalent	2.0%	-0.25%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 3,708,000	$ 2,905,000	$ 2,216,000

NOTE 9: RETIREMENT PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 10: CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if, based on the grantor's review, the funds were not used for their intended purposes, the grantors may request refunds of monies advanced, or refuse to reimburse the District for its expenditures. The amounts of such future refunds and unreimbursed expenditures, if any, are not expected to be significant. Continuation of the District's grant programs is predicated upon the satisfaction of the various grantors that the funds they provide are being spent as intended and upon their intent to continue their programs.

In the event of termination of the District's grant program relating to loans ("Revolving Loan Fund"), for cause or convenience, the grantor would recover its fair share of the Revolving Loan Fund's assets consisting of cash, receivables, personal and real property and notes or other financial instruments developed through the use of the funds. The grantor's participation is 75% while the District’s match is 25% of the program budget.

NOTE 11: 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 provides, through a commercial insurance provider, a fully- insured health insurance plan for eligible employees. The District pays a percentage of its employees’ insurance premiums.

During the fiscal year ended June 30, 2016, the District incurred a total expense of $315,528 for health insurance premiums. The District also has a Health Reimbursement Arrangement (HRA) which funds part of the qualified medical expenses.

The District continues to carry commercial insurance for general liability, worker's compensation and all other risks of loss, including errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 12: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance. However, the following funds have excess current year expenditures over current year revenues:

Fund	Amount
JFA and Non-JFA	$ 71,424
Aging	64,403
WIA/WIOA	1,116
Barren River Development Council	277,909

NOTE 13: FUND TRANSFERS

Fund transfers for the year ended June 30, 2016 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	JFA and Non-JFA	Matching/Regional Support	$ 106,270
Internal	BRDC	General	Contribution - dissolution of BRDC	$ 246,753

NOTE 14: COST ALLOCATION PLAN (CAP)

The District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 200. The District is in conformity with 2 CFR Part 200.

All funds expended by the District are charged either to a specific grant and/or program element as a Direct cost or spread to all grants and/or program elements as an indirect cost in conformity with 2 CFR Part 200, Uniform Guidance, formerly OMB Circular A-87. Direct costs are defined as those that can be identified specifically with a particular cost objective. Indirect costs are those incurred for a common or joint purposes benefiting more than one grant and/or program element. Below is a listing of direct and indirect costs as they are charged by the District.

Cost Allocation Policy

Essentially, those personnel and other costs incurred only because of the work element, and which may be readily and accurately ascribed to that element, are charged as Direct Costs. All other costs are charged indirectly when it is impractical to charge them directly to a cost objective without a disproportionate amount of effort or the cost is incurred for a common or joint purpose benefitting more than one cost objective. The indirect Costs are distributed proportionately based upon an established methodology.

NOTE 14: COST ALLOCATION PLAN (CAP) (CONTINUED)

1. Salary - Work time of regular full-time, part-time, temporary, or seasonal staff is charged as a Direct Cost to the program element(s) in which they have assigned responsibilities or to which their work is deemed beneficial. Work time of employees that benefits more than one work element and the allocation of time to direct charge would require an inordinate amount of effort are charged to Indirect Costs.
2. Personnel Burden - All employee's benefit costs specifically related to an employee are charged in the same manner as that employee's salary, either direct or indirect. Some burden costs are general and cannot be specifically related and are charged as indirect.
3. Staff Travel/Training - The regular full-time, part-time, temporary, or seasonal staff charged directly to work element(s) will have their travel costs charged accordingly. Travel costs for indirect staff time will be charged to the indirect cost pool. Mileage and per diem follow 200 KAR 2:006.
4. Board Training - Training recommended for Board to increase the knowledge of officials to further the goals of the District will be charged to the general fund. Mileage and per diem will be reimbursed following 200 KAR 2:006.
5. Other Travel - Costs or required reimbursements for other travel such as program participants will be charged as a direct cost to the work element to which the activity is assigned.
6. Other – Other costs, including but not limited to: communications, printing, postage, equipment and supplies, will be charged as direct costs when possible. Other costs that cannot be readily identified to an individual program will be charged as indirect.
7. Building costs/Rent – Office space, equipment and furniture depreciation, building insurance, utilities and routine operational costs such as janitorial and general maintenance of the main office building will be charged as indirect. Rent of extension offices for specific elements located outside of the main office building is charged directly to those elements.
8. Insurance – General and public officials' liabilities, workers compensation, bonding, and other exposures are considered indirect costs.
9. Services and fees - General services of benefit to all District programs, such as indirect audit costs, general legal advice, office supplies, pension management fee, bank charges and staff development programs, are costs that are shared as an economical and rational management methodology.

NOTE 14: COST ALLOCATION PLAN (CAP) (CONTINUED)

10. Other In-Kind - In-kind contributions of services from outside agencies or personnel may be utilized as a match for certain programs provided that the value of the services is substantiated in an appropriate manner.

All additional costs, which are not identified above, may be charged as indirect costs, unless indicated otherwise by the Department for Local Government, or prohibited by federal regulations.

Year Ended June 30, 2016		**Indirect Cost**
Salaries and benefits	$	429,918
Travel		16,808
Pension management		3,516
Audit and legal		31,269
Telephone		9,358
Supplies		8,250
Insurance		32,288
Postage		2,534
Printing		1,559
Due and subscription		2,162
Computer support and maintenance		12,917
Other		1,238
Rent		464
Utilities		30,491
Building maintenance and janitorial		41,452
	$	624,224

NOTE 15: SUBSEQUENT EVENTS

With the passage of the WIOA, the Governor of each State is required to designate the Local workforce areas in the State. The ten county region has been designated as South Central Local Workforce Development Area. The chief elected officials in the designated area act as the grant recipient but may designate an entity to serve as local grant sub-recipient for such funds or as a local fiscal agent in order to obtain assistance in the administration of the funds.

The South Central Workforce Development Board (the “Board”), which provides oversight of the local workforce development area, did not renew with the District to serve as the fiscal agent for the WIOA funds. Additionally, on August 31, 2016, the Board voted to terminate the District as the jobs services provider effective September 30, 2016. The loss of the WIOA program will decrease the funding the District receives in future years.

Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local income	$ 81,712	$ 81,712	$ 83,106	$ 1,394
Program income	1,897	1,897	1,261	(636)
Investment income	3,261	3,261	3,773	512
Other income	14,348	14,348	15,502	1,154
Total revenues	101,218	101,218	103,642	2,424
Expenditures				
Contractual services	4,922	4,922	4,286	636
Travel	3,621	3,621	5,744	(2,123)
Repairs and Maintenance	-	-	25,866	(25,866)
Direct other	-	-	82,976	(82,976)
Audit and legal fees	-	-	2,220	(2,220)
Equipment	-	-	8,000	(8,000)
Miscellaneous	442	442	-	442
Staff training	2,914	2,914	-	2,914
Dues and subscriptions	16,567	16,567	16,966	(399)
Meeting	993	993	7	986
Total expenditures	29,459	29,459	146,065	(116,606)
Excess (deficiency) of revenues over expenditures	71,759	71,759	(42,423)	(114,182)
Other Financing Sources (Uses)				
Operating transfers in (out)	(88,938)	(88,938)	140,483	229,421
Total other financing sources (uses)	(88,938)	(88,938)	140,483	229,421
Net change in fund balance	(17,179)	(17,179)	98,060	115,239
Fund balances - beginning of year	967,356	967,356	967,356	-
Fund balances - end of year	$ 950,177	$ 950,177	$ 1,065,416	$ 115,239

Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Intergovernmental revenue	$ 7,536,039	$ 7,536,039	$ 8,449,196	$ 913,157
Local revenue	362,045	362,045	305,622	(56,423)
In-kind income	84,120	84,120	97,418	13,298
Program income	63,784	63,784	73,006	9,222
Investment income	148	148	268	120
Other income	20,689	20,689	11,118	(9,571)
Total revenues	8,066,825	8,066,825	8,936,628	869,803
Expenditures				
Program services	4,946,128	4,946,128	5,828,547	(882,419)
Personnel	2,430,517	2,430,517	2,553,966	(123,449)
Contractual services & direct other	26,582	26,582	122,164	(95,582)
Repairs and maintenance	15,445	15,445	28,215	(12,770)
Insurance	34,588	34,588	33,355	1,233
Audit and legal fees	41,055	41,055	49,367	(8,312)
Space & rental	87,275	87,275	20,630	66,645
Telephone & utilities	47,519	47,519	45,010	2,509
Office supplies & postage	46,086	46,086	39,298	6,788
Printing and marketing	51,988	51,988	45,413	6,575
Pension management	3,787	3,787	3,516	271
Miscellaneous	13,303	13,303	11,042	2,261
Staff training and travel	163,258	163,258	152,266	10,992
Bank fees	-	-	-	-
Computer support and maintenance	73,592	73,592	38,896	34,696
Dues and subscriptions	7,773	7,773	7,370	403
Janitorial	14,163	14,163	14,257	(94)
Meeting	23,135	23,135	21,823	1,312
Total expenditures	8,026,194	8,026,194	9,015,135	(988,941)
Excess (deficiency) of revenues over expenditures	40,631	40,631	(78,507)	(119,138)

Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Other Financing Sources (Uses)				
Operating transfers in - net	88,938	88,938	106,270	17,332
Total other financing sources (uses)	88,938	88,938	106,270	17,332
Net change in fund balance	129,569	129,569	27,763	(101,806)
Fund balances - beginning of year	1,378,098	1,378,098	1,378,098	-
Fund balances - end of year	$ 1,507,667	$ 1,507,667	$ 1,405,861	$ (101,806)

Schedule of the District's Proportionate Share of the Net Pension Liability - CERS

As of June 30,	**2016**	**2015**
District's proportion of the net pension liability	0.067555%	0.067639%
District's proportionate share of the net pension liability	$ 2,905,556	$ 2,194,000
District's covered - employee payroll	$ 1,630,152	$ 1,603,118
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.10%	73.07%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

Schedule of District Contributions - CERS

For the Year Ended June 30,	**2016**	**2015**
Contractually required contribution	$ 219,899	$ 201,697
Contributions in relation to the contractually required contribution	219,899	201,697
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 1,770,522	$ 1,630,152
Contributions as a percentage of covered-employee payroll	12.42%	12.37%

Notes to Required Supplementary Information for the Year Ended June 30, 2016

Changes of Benefit Terms

None noted.

Changes of Assumptions

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% to7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability 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.

June 30, 2016	JFA and Non-JFA	Aging	WIA/WIOA	CDO	Revolving Loan	Total Special Revenue Funds
Assets						
Cash and investments	$ 102,325	$ 24,489	$ 6,736	$ 797,776	$ 140,774	$ 1,072,100
Due from other funds	283,555	-	-	-	-	283,555
Grants receivable	103,343	357,730	389,704	-	-	850,777
Accounts receivable	-	-	-	227,887	20	227,907
Loans, net	-	-	-	-	310,378	310,378
Other	36,574	825	-	273	-	37,672
Total assets	$ 525,797	$ 383,044	$ 396,440	$ 1,025,936	$ 451,172	$ 2,782,389
Liabilities and Fund Balances						
Liabilities						
Due to other funds	$ 179,780	$ 90,245	$ 72,456	$ 71,723	$ 1,658	$ 415,862
Accounts payable	51,204	236,971	314,213	2,460	136	604,984
Accrued payroll taxes	52,052	-	2,361	156,811	-	211,224
Unearned revenue	150	6,175	6,145	30,371	-	42,841
Compensated absences	101,617	-	-	-	-	101,617
Total liabilities	384,803	333,391	395,175	261,365	1,794	1,376,528

June 30, 2016	JFA and Non-JFA	Aging	WIA/WIOA	CDO	Revolving Loan	Special Revenue Funds
Fund Balances						
Non-Spendable	36,574		-	273	-	36,847
Restricted	-	49,653	1,265	-	449,378	500,296
Assigned	104,420	-	-	764,298	-	868,718
Total fund balances	140,994	49,653	1,265	764,571	449,378	1,405,861
Total liabilities and fund balances	$ 525,797	$ 383,044	$ 396,440	$ 1,025,936	$ 451,172	$ 2,782,389

Year Ended June 30, 2016	JFA and Non-JFA	Aging	WIA/WIOA	CDO	Revolving Loan	Total Special Revenue Funds
Revenues						
Intergovernmental revenue	$ 505,057	$ 3,190,429	$ 2,113,923	$ 2,639,787	$ -	$ 8,449,196
Local revenue	71,858	233,764	-	-	-	305,622
In-kind income	10,839	86,579	-	-	-	97,418
Program income	-	22,974	-	40,452	9,580	73,006
Investment income	-	-	-	-	268	268
Other income	2,590	5,627	-	2,901	-	11,118
Total revenues	590,344	3,539,373	2,113,923	2,683,140	9,848	8,936,628
Expenditures						
Program services	18,689	2,680,761	1,194,788	1,934,309	-	5,828,547
Personnel	602,106	794,958	656,990	496,677	3,235	2,553,966
Contractual services	-	-	118,752	2,805	-	121,557
Travel	19,457	17,934	17,646	19,787	6	74,830
Repairs and maintenance	7,428	9,105	5,953	5,692	37	28,215
Insurance	8,666	10,075	8,278	6,295	41	33,355
Direct other	406	-	-	-	201	607
Audit and legal fees	25,434	9,732	8,011	6,092	98	49,367
Space & rental	-	-	20,630	-	-	20,630
Telephone	2,263	3,979	5,448	2,818	12	14,520
Office supplies	2,490	8,470	9,612	7,937	10	28,519
Postage	2,095	3,638	1,356	3,685	5	10,779
Printing	3,663	4,228	9,058	3,923	15	20,887
Pension management	825	1,105	899	683	4	3,516
Miscellaneous	-	491	380	10,171	-	11,042

Year Ended June 30, 2016	JFA and Non-JFA	Aging	WIA/WIOA	CDO	Revolving Loan	Total Special Revenue Funds
Staff training	27,121	12,197	29,458	8,645	15	77,436
Utilities	7,584	10,034	6,558	6,274	40	30,490
Computer support and maintenance	11,046	20,655	3,685	3,494	16	38,896
Marketing and advertising	5,037	9,407	8,306	1,775	1	24,526
Dues and subscriptions	3,522	1,610	1,708	527	3	7,370
Janitorial	3,548	4,687	3,068	2,935	19	14,257
Meeting	16,658	710	4,455	-	-	21,823
Total expenditures	768,038	3,603,776	2,115,039	2,524,524	3,758	9,015,135
Excess (deficiency) of revenues over expenditures	(177,694)	(64,403)	(1,116)	158,616	6,090	(78,507)
Other Financing Sources (Uses)						
Operating transfers in	106,270	-	-	-	-	106,270
Total other financing sources (uses)	106,270	-	-	-	-	106,270
Net change in fund balance	(71,424)	(64,403)	(1,116)	158,616	6,090	27,763
Fund balances - beginning of year	212,418	114,056	2,381	605,955	443,288	1,378,098
Fund balances - end of year	$ 140,994	$ 49,653	$ 1,265	$ 764,571	$ 449,378	$ 1,405,861

Year Ended June 30, 2016

	General Funds	JFA	CDO-Support Broker	CDO Goods & Service	CDO-Fiscal Management	Regional Support
Revenue						
Federal revenue	$ -	$ 127,670	$ -	$ -	$ -	$ -
State revenue	-	128,726	2,366,323	86,864	186,600	-
Local revenue	83,106	-	-	-	-	-
Program income	1,261	-	40,452	-	-	-
Investment income	3,773	-	-	-	-	-
In-Kind income	-	-	-	-	-	-
Other income	15,502	-	2,901	-	-	2,592
Total revenue	103,642	256,396	2,409,676	86,864	186,600	2,592
Expenditures						
Direct costs:						
Salaries	-	129,954	204,112	-	68,563	23,502
Benefits	-	52,215	97,616	-	25,907	7,988
Annual leave	-	8,579	11,121	-	4,781	1,676
Travel & training	5,744	17,048	25,139	-	25	7,811
Other costs	136,035	3,433	18,222	-	9,413	35,736
Contractual services	4,286	-	2,805	-	-	-
Program services	-	-	1,847,445	86,864	-	-
Total direct costs	146,065	211,229	2,206,460	86,864	108,689	76,713
Indirect costs	-	56,319	93,305	-	29,206	9,735
Total expenditures	146,065	267,548	2,299,765	86,864	137,895	86,448
Other Financing Sources (Uses)						
Transfer in	246,753	11,152	-	-	-	77,810
Transfer out	(106,270)	-	-	-	-	-
Total other financing sources (uses)	140,483	11,152	-	-	-	77,810
Net change in fund balances	$ 98,060	$ -	$ 109,911	$ -	$ 48,705	$ (6,046)

Year Ended June 30, 2016

	SOAR	Regional Transit	Regional Transportation	HRSA
Revenue				
Federal revenue	$ 4,164	$ 24,119	$ -	$ 12,642
State revenue	-	-	78,065	-
Local revenue	-	-	-	-
Program income	-	-	-	-
Investment income	-	-	-	-
In-Kind income	-	-	-	-
Other income	-	-	-	-
Total revenue	4,164	24,119	78,065	12,642
Expenditures				
Direct costs:				
Salaries	2,242	9,236	35,465	1,585
Benefits	793	4,517	17,948	719
Annual leave	160	491	1,863	160
Travel & training	1,071	925	2,705	165
Other costs	1	916	1,848	9
Contractual services	-	-	-	-
Program services	-	7,850	-	-
Total direct costs	4,267	23,935	59,829	2,638
Indirect costs	938	4,251	16,514	712
Total expenditures	5,205	28,186	76,343	3,350
Other Financing Sources (Uses)				
Transfer in	1,041	4,067	8,674	-
Transfer out	-	-	-	-
Total other financing sources (uses)	1,041	4,067	8,674	-
Net change in fund balances	$ -	$ -	$ 10,396	$ 9,292

Year Ended June 30, 2016

	Water Planning	Aging General Funds	Mental Health & Aging Council	Title III Admin	IIIB Supportive Services	Title IIIB Ombudsman
Revenue						
Federal revenue	$ -	$ -	$ -	$ 79,148	$ 380,024	$ 22,658
State revenue	98,059	-	-	29,529	76,647	3,998
Local revenue	-	46,116	-	-	32,061	45,915
Program income	-	-	-	-	3,527	-
Investment income	-	-	-	-	-	-
In-Kind income	-	-	-	-	14,875	-
Other income	-	-	5,625	-	-	-
Total revenue	98,059	46,116	5,625	108,677	507,134	72,571
Expenditures						
Direct costs:						
Salaries	44,866	-	-	53,140	51,095	-
Benefits	19,230	-	-	21,892	22,685	-
Annual leave	2,501	-	-	4,515	2,244	-
Travel & training	9,206	-	-	4,401	3,671	-
Other costs	5,619	1,221	-	5,967	7,852	-
Contractual services	-	-	-	-	-	-
Program services	-	-	5,363	-	396,779	72,571
Total direct costs	81,422	1,221	5,363	89,915	484,326	72,571
Indirect costs	19,815	-	-	23,130	22,809	-
Total expenditures	101,237	1,221	5,363	113,045	507,135	72,571
Other Financing Sources (Uses)						
Transfer in	3,178	-	-	4,368	1	-
Transfer out	-	(118,854)	-	-	-	-
Total other financing sources (uses)	3,178	(118,854)	-	4,368	1	-
Net change in fund balances	$ -	$ (73,959)	$ 262	$ -	$ -	$ -

Year Ended June 30, 2016

	IIIC1 Congregate Meals	IIIC2 Home Delivered Meals	IIID Health Promotion	IIIE Admin
Revenue				
Federal revenue	$ 219,030	$ 313,092	$ 16,920	$ 4,200
State revenue	22,915	81,500	-	2,700
Local revenue	-	-	-	-
Program income	7,531	1,000	-	-
Investment income	-	-	-	-
In-Kind income	24,032	35,220	3,048	-
Other income	-	-	-	-
Total revenue	273,508	430,812	19,968	6,900
Expenditures				
Direct costs:				
Salaries	4,657	5,478	-	3,619
Benefits	1,855	2,141	-	1,336
Annual leave	397	476	-	313
Travel & training	175	239	-	16
Other costs	412	322	-	97
Contractual services	-	-	-	-
Program services	264,008	436,214	19,968	-
Total direct costs	271,504	444,870	19,968	5,381
Indirect costs	2,014	2,355	-	1,532
Total expenditures	273,518	447,225	19,968	6,913
Other Financing Sources (Uses)				
Transfer in	10	16,413	-	13
Transfer out	-	-	-	-
Total other financing sources (uses)	10	16,413	-	13
Net change in fund balances	$ -	$ -	$ -	$ -

Year Ended June 30, 2016

	IIIE Caregiver Support	VII Elder Abuse Prevention	VII Ombudsman	Kentucky Caregiver Services	Kentucky Caregiver Admin	ADRC-Medicaid
Revenue						
Federal revenue	$ 132,903	$ 4,867	$ 8,174	$ -	$ -	$ 19,062
State revenue	4,000	-	-	122,907	18,249	64,062
Local revenue	26,466	1,589	3,503	48	-	-
Program income	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
In-Kind income	1,064	-	-	-	-	-
Other income	-	-	-	-	-	-
Total revenue	164,433	6,456	11,677	122,955	18,249	83,124
Expenditures						
Direct costs:						
Salaries	25,104	-	-	10,984	8,957	43,156
Benefits	12,900	-	-	5,149	4,290	19,835
Annual leave	1,442	-	-	590	593	2,236
Travel & training	1,996	-	-	324	80	845
Other costs	1,343	-	-	1,556	376	4,602
Contractual services	-	-	-	-	-	-
Program services	123,232	6,456	11,677	99,529	-	-
Total direct costs	166,017	6,456	11,677	118,132	14,296	70,674
Indirect costs	11,340	-	-	4,913	4,060	19,474
Total expenditures	177,357	6,456	11,677	123,045	18,356	90,148
Other Financing Sources (Uses)						
Transfer in	12,924	-	-	90	107	7,024
Transfer out	-	-	-	-	-	-
Total other financing sources (uses)	12,924	-	-	90	107	7,024
Net change in fund balances	$ -	$ -	$ -	$ -	$ -	$ -

Year Ended June 30, 2016

	SHIP Jul-Mar	SHIP Training	SHIP Apr-Jun	FAST	CDSME	IAO
Revenue						
Federal revenue	$ 34,564	$ 640	$ 20,863	$ 2,000	$ 7,000	$ 3,000
State revenue	-	-	-	-	-	-
Local revenue	22,653	-	-	-	-	-
Program income	-	-	11	-	-	-
Investment income	-	-	-	-	-	-
In-Kind income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total revenue	57,217	640	20,874	2,000	7,000	3,000
Expenditures						
Direct costs:						
Salaries	3,617	-	364	1,055	-	-
Benefits	733	-	157	453	-	-
Annual leave	102	-	33	52	-	-
Travel & training	98	-	-	3	-	-
Other costs	190	-	30	-	-	-
Contractual services	-	-	-	-	-	-
Program services	51,255	640	20,130	-	7,000	3,000
Total direct costs	55,995	640	20,714	1,563	7,000	3,000
Indirect costs	1,333	-	161	463	-	-
Total expenditures	57,328	640	20,875	2,026	7,000	3,000
Other Financing Sources (Uses)						
Transfer in	111	-	1	26	-	-
Transfer out	-	-	-	-	-	-
Total other financing sources (uses)	111	-	1	26	-	-
Net change in fund balances	$ -	$ -	$ -	$ -	$ -	$ -

Year Ended June 30, 2016

	MIPPA - AAA Oct - June	MIPPA - AAA Jul - Sept	MIPPA - SHIP Oct - June	MIPPA - SHIP July - Sept	MIPPA - ADRC Oct - June	MIPPA - ADRC July - Sept
Revenue						
Federal revenue	$ 9,495	$ 2,737	$ 9,700	$ 2,060	$ 5,529	$ 2,099
State revenue	-	-	-	-	-	-
Local revenue	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
In-Kind income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total revenue	9,495	2,737	9,700	2,060	5,529	2,099
Expenditures						
Direct costs:						
Salaries	5,253	1,203	-	-	2,674	725
Benefits	991	298	-	-	1,229	326
Annual leave	142	70	-	-	127	39
Travel & training	115	25	-	-	50	47
Other costs	1,064	653	-	-	242	620
Contractual services	-	-	-	-	-	-
Program services	-	-	9,700	2,060	-	-
Total direct costs	7,565	2,249	9,700	2,060	4,322	1,757
Indirect costs	1,930	488	-	-	1,207	342
Total expenditures	9,495	2,737	9,700	2,060	5,529	2,099
Other Financing Sources (Uses)						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	$ -	$ -	$ -	$ -	$ -	$ -

Year Ended June 30, 2016

	Homecare Services	Homecare Admin	Personal Care Attendant Program	Predisaster Mitigation	PCAP - Coordination	PCAP - Evaluation
Revenue						
Federal revenue	$ -	$ -	$ -	$ 16,533	$ -	$ -
State revenue	858,152	106,041	155,114	2,691	10,679	2,400
Local revenue	45,416	-	-	-	-	-
Program income	10,283	-	-	-	-	-
Investment income	-	-	-	-	-	-
In-Kind income	8,340	-	-	10,839	-	-
Other income	-	-	-	-	-	-
Total revenue	922,191	106,041	155,114	30,063	10,679	2,400
Expenditures						
Direct costs:						
Salaries	133,661	54,602	9,049	9,728	3,966	1,064
Benefits	60,148	22,790	5,778	3,526	3,170	612
Annual leave	5,716	4,619	571	442	189	58
Travel & training	7,388	1,706	10	433	210	191
Other costs	9,741	2,769	338	997	953	15
Contractual services	-	-	-	-	-	-
Program services	718,668	-	135,173	10,839	-	-
Total direct costs	935,322	86,486	150,919	25,965	8,488	1,940
Indirect costs	59,916	23,789	4,584	4,098	2,206	510
Total expenditures	995,238	110,275	155,503	30,063	10,694	2,450
Other Financing Sources (Uses)						
Transfer in	73,047	4,234	389	-	15	50
Transfer out	-	-	-	-	-	-
Total other financing sources (uses)	73,047	4,234	389	-	15	50
Net change in fund balances	$ -	$ -	$ -	$ -	$ -	$ -

Year Ended June 30, 2016

	Adult Day Services	Adult Day Admin	Long Term Care Ombudsman	NSIP	WIA/WIOA Local
Revenue					
Federal revenue	$ -	$ -	$ -	$ 117,034	$ -
State revenue	153,731	14,000	34,364	-	-
Local revenue	-	-	9,997	-	-
Program income	622	-	-	-	-
Investment income	-	-	-	-	-
In-Kind income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenue	154,353	14,000	44,361	117,034	-
Expenditures					
Direct costs:					
Salaries	7,580	7,103	-	-	-
Benefits	3,276	2,911	-	-	-
Annual leave	445	553	-	-	-
Travel & training	455	363	-	-	-
Other costs	3,298	4	-	-	116
Contractual services	-	-	-	-	-
Program services	135,943	-	44,361	117,034	1,000
Total direct costs	150,997	10,934	44,361	117,034	1,116
Indirect costs	3,356	3,096	-	-	-
Total expenditures	154,353	14,030	44,361	117,034	1,116
Other Financing Sources (Uses)					
Transfer in	-	30	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	30	-	-	-
Net change in fund balances	$ -	$ -	$ -	$ -	$ (1,116)

Year Ended June 30, 2016

	WIA/WIOA Trade	WIA/WIOA	Revolving Loan Fund	Agricultural Mapping	Other Local Contract	Local Road Updates	Total
Revenue							
Federal revenue	$ 87,643	$ 2,026,280	$ -	$ 2,588	$ -	$ 22,100	$ 3,740,538
State revenue	-	-	-	342	-	-	4,708,658
Local revenue	-	-	-	-	71,858	-	388,728
Program income	-	-	9,580	-	-	-	74,267
Investment income	-	-	268	-	-	-	4,041
In-Kind income	-	-	-	-	-	-	97,418
Other income	-	-	-	-	-	-	26,620
Total revenue	87,643	2,026,280	9,848	2,930	71,858	22,100	9,040,270
Expenditures							
Direct costs:							
Salaries	43,664	326,774	1,925	1,731	69,948	10,496	1,421,897
Benefits	18,200	132,366	636	662	30,232	5,064	612,574
Annual leave	3,790	21,762	132	113	4,782	796	88,671
Travel & training	207	42,575	-	3	3,124	265	138,854
Other costs	1,951	53,008	273	-	8,635	712	320,589
Contractual services	-	118,753	-	-	-	-	125,844
Program services	706	1,193,082	-	-	-	-	5,828,547
Total direct costs	68,518	1,888,320	2,966	2,509	116,721	17,333	8,536,976
Indirect costs	19,125	137,960	792	726	30,909	4,811	624,224
Total expenditures	87,643	2,026,280	3,758	3,235	147,630	22,144	9,161,200
Other Financing Sources (Uses)							
Transfer in	-	-	-	305	-	44	471,877
Transfer out	-	-	-	-	-	-	(225,124)
Total other financing sources (uses)	-	-	-	305	-	44	246,753
Net change in fund balances	$ -	$ -	$ 6,090	$ -	$ (75,772)	$ -	$ 125,823

Year Ended June 30, 2016	Direct Salary Plus Burden	Percent of Total	Indirect Cost Distribution	Percent of Total
JFA:				
Community and economic development (120)	$ 39,604	2.0%	$ 12,244	2.0%
Community development block grant (125)	25,015	1.2%	7,734	1.2%
ARC planning and assistance (130)	65,042	3.2%	20,108	3.2%
Management assistance (140)	33,287	1.6%	10,291	1.6%
Program administration (150)	19,221	1.0%	5,942	1.0%
Total JFA	182,169	9.0%	56,319	9.0%
Non-JFA	1,849,956	91.0%	567,905	91.0%
Total JFA and Non-JFA	$ 2,032,125	100.0%	$ 624,224	100.0%

Year Ended June 30, 2016	**Budget**	**Actual**
Revenues		
Federal	$ 127,670	$ 127,670
State	131,240	128,726
Local	-	11,152
Total revenues	$ 258,910	$ 267,548

Year Ended June 30, 2016	**Budget**	**Actual**		
		Direct	**Indirect**	**Total**
Expenditures				
Community and economic development (120)	$ 60,574	$ 47,280	$ 12,244	$ 59,524
Community development block grant (125)	38,000	30,287	7,734	38,021
ARC planning and assistance - (130)	86,302	74,752	20,108	94,860
Management assistance - (140)	40,382	36,433	10,291	46,724
Program administration - (150)	33,652	22,477	5,942	28,419
Total expenditures	$ 258,910	$ 211,229	$ 56,319	$ 267,548

Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Contract Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	
U.S. Department of Health & Human Services:					
Passed through Kentucky Cabinet for Health and Family Services:					
Aging Cluster					
Title III, part B	93.044	PON 2 725 1400001066	$ 135,230	$ 481,830	
Title III, part C	93.045	PON 2 725 1400001066	116,224	532,122	
Nutrition Services Incentive Program	93.053	PON 2 725 1600000226	-	117,034	
Subtotal					$ 1,130,986
Title III, Elder Abuse	93.041	PON 2 725 1400001073	4,867		4,867
Title VII, Ombudsman	93.042	PON 2 725 1400001073	8,174		8,174
Title III, part D Preventive Health	93.043	PON 2 725 1400001066	16,920		16,920
National Family Caregiver Support	93.052	PON 2 725 1400001066	-		137,103
Centers for Medicare & Medicaid Services (Jul. - Mar.)	93.779	PON 2 725 1400001161	28,602		34,564
Centers for Medicare & Medicaid Services (Apr. - Jun.)	93.324	PON 2 725 1600001180	20,119		20,863
Aging and Disability Resource Center	93.778	PON 2 725 1400001160	-		19,062
Functional Assessment Service Teams	93.069	PON 2 725 1400001163	-		2,000
Chronic Disease Self Management	93.734	PON 2 725 1600001141	7,000		7,000
MIPPA - SHIP	93.071	PON 2 725 1600000228	11,760	11,760	
MIPPA - AAA	93.071	PON 2 725 1600000228	-	12,232	
MIPPA - ADRC	93.071	PON 2 725 1600000228	-	7,628	
Subtotal					31,620
Improving Arthritis Outcomes	93.945	PON 2 725 1400001164	3,000		3,000
SHIP Training	93.779	PON 2 725 1400003278	-		640
Passed through University of Louisville Research Foundation, Inc.:					
Geriatrics Workforce Enhancement Program	93.969	ULRF 15-1152-01	-	10,500	
Geriatrics Workforce Enhancement Program	93.969	ULRF 15-1152A-01	-	2,142	
Subtotal					12,642
Total U.S. Department of Health & Human Services					1,429,441
U.S. Department of Labor:					
Passed through Kentucky Cabinet for Workforce Development:					
WIA/WIOA Cluster					
Adult Funds	17.258	PON 2 531 1600001963	-	39,444	
Adult Funds	17.258	PON 2 531 1600001963	-	375,306	
Adult Funds	17.258	PON 2 531 1600001963	-	49,874	
Adult Funds	17.258	PON 2 531 1600001963	-	244,531	
DWP Funds	17.278	PON 2 531 1600001963	-	75,914	

See accompanying notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Contract Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients		Total Federal Expenditures
DWP Funds	17.278	PON 2 531 1600001963	-	115,783	
DWP Funds	17.278	PON 2 531 1600001963	-	796	
DWP Funds	17.278	PON 2 531 1600001963	-	262,359	
DWP Funds	17.278	PON 2 531 1600001963	-	505	
Youth Funds	17.259	PON 2 531 1600001963	-	576,017	
Youth Funds	17.259	PON 2 531 1600001963	-	6,771	
Subtotal					1,747,300
National Emergency Grant	17.277	PON 2 531 1600001963	-		15,720
Trade Funds	17.245	PON 2 531 1600001460	-		350,903
Total U.S. Department of Labor					2,113,923
U.S. Department of Commerce:					
Direct program					
Revolving loan fund[1]	11.307	04-39-03813.01	-		348,046
Passed through Department for Local Government:					
JFA - Community & Economic Development	11.302	PON2 1600000325	-	28,350	
JFA - Management Assistance	11.302	PON2 1600000325	-	18,900	
JFA - Program Administration	11.302	PON2 1600000325	-	15,750	
Subtotal					63,000
Kentucky Agriculture Development Information System (KADIS)	11.307	127-001	-	2,588	
Facilitating the SOAR Initiative	11.307	04-79-06942	-	4,164	
					6,752
Total U.S. Department of Commerce					417,798
Appalachian Regional Commission:					
Direct program					
JFA - Planning & Assistance	23.009	KY-0702-J-C39	-		45,670
Total Appalachian Regional Commission					45,670
U.S. Department of HUD:					
Passed through Department for Local Government:					
JFA - CDBG	14.219	PON2 1600000325	-		19,000
Total U.S. Department of HUD					19,000
U.S. Department of Transportation:					
Passed through KY Transportation Cabinet:					
Section 5304 Planning Grant	20.505	G04S604Z	-		24,119
Local Road Updates	20.205	1600000823	-		22,100
Total U.S. Department of Transportation					46,219

See accompanying notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Contract Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security:				
Passed through KY Division of Emergency Management and Metcalfe County Fiscal Court:				
FEMA Hazard Mitigation Program	97.039	FEMA-DR-4196	-	16,533
Total U.S. Department of Homeland Security				16,533
Total Expenditures of Federal Awards			$ 351,896	$ 4,088,584

[1] Schedule of Expenditures of Federal Awards Calculation for Revolving Loan Fund (RLF) Grant

Balance of RLF loans outstanding at June 30, 2016	$ 319,529
Cash and investment balance in RLF at June 30, 2016	140,774
Administrative expenses paid out of RLF in year ended June 30, 2016	3,758
	464,061
Federal share of RLF	X 75%
	$ 348,046

See accompanying notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Barren River Area Development District (the "District") under programs of the federal government for the year ended June 30, 2016. 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 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.

NOTE 4: LOAN BALANCES

The balance of loans outstanding at June 30, 2016 was $319,529.

No reportable items.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Barren River Area Development District
Bowling Green, 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 business-type activities, each major fund and the aggregate remaining fund information of Barren River Area Development District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Barren River Area Development District's basic financial statements and have issued our report thereon dated November 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 22, 2016

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Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Barren River Area Development District
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Barren River Area Development District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the District's internal control over compliance.

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

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

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 22, 2016

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	☐ Yes	☑ No
Significant deficiency(ies) identified?	☐ Yes	☑ None reported
Noncompliance material to financial statements noted?	☐ Yes	☑ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	☐ Yes	☑ No
Significant deficiency(ies) identified?	☐ Yes	☑ None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a))?	☐ Yes	☑ No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
17.258, 17.259, 17.278	WIA/WIOA Cluster

Dollar threshold used to distinguish
between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ☑ Yes ☐ No

Section II — Financial Statement Findings

No items required to be reported.

Section III — Federal Award Findings and Questioned Costs

No items required to be reported.

THOUGHT LEADERSHIP

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