

**KENTUCKY RIVER AREA
DEVELOPMENT DISTRICT
Hazard, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2013 and 2012**

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KENTUCKY RIVER AREA DEVELOPMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis provides an overview of Kentucky River Area Development District's financial performance during the fiscal years 2013 and 2012. Please read the following in conjunction with the District's audited financial statements.

OVERVIEW OF THE ANNUAL REPORT

This annual report includes the management's discussion and analysis, the independent auditors' report, the District's audited financial statements, and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The District's financial statements utilize the full accrual basis accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board. The required financial statements are the District's statement of net position and a statement of activities. The District does not utilize multiple funds in accounting for its financial activities; therefore, fund type statements are not presented. The previously used financial statements: balance sheet, statement of revenues and expenditures, and statement of changes in fund balance are presented as supplemental information. The statement of net position details the District's investments (assets) and debt (liabilities). The statement of net position is very similar to the balance sheet. The statement of activities details the revenues and expenses based on functional areas, while the statement of revenues classified revenue by source and expenditures by object for separate fiscal years and the statement of changes in fund balance takes into account adjustments for prior year events.

FINANCIAL ANALYSIS OF THE DISTRICT

The Condensed Statement of Net Position reveals the total liabilities and net position for fiscal year 2013 increased \$194,105 from fiscal year 2012. A large increase in cash is responsible for the increase in net position.

Condensed Statement of Net Position

	<u>FY 2013</u>	<u>FY 2012</u>
Current Assets	\$3,000,102	\$2,761,515
Other Assets	<u>445,541</u>	<u>490,023</u>
Total Assets	<u>\$3,445,643</u>	<u>\$3,251,538</u>
Current Liabilities	447,761	\$ 460,953
Notes Payable long-term	300,000	320,000
Net assets		
Invested in capital assets	120,591	144,623
Reserved	0	0
Unreserved	<u>2,577,291</u>	<u>2,325,962</u>
Total Liabilities & Net Assets	<u>\$3,445,643</u>	<u>\$3,251,538</u>

The Statement of Cash Flows describes the sources of cash being received by the District and the areas in which that cash was spent. From fiscal year 2012 to fiscal year 2013, Cash and Cash Equivalents increased \$312,902. The large increase in net operating cash can be attributed to an increase in cash from grantors and local resources and a decrease in payments to suppliers.

Condensed Statement of Cash Flows

	<u>FY 2013</u>	<u>FY 2012</u>
Net Cash Flow from Operating Activities	\$ 351,906	\$ 78,336
Net Cash from Capital & Financing Activities	(45,268)	(45,517)
Net Cash provided by (used in) Investing Activities	<u>6,264</u>	<u>6,506</u>
Net Increase (Decrease) in Cash & Cash Equivalents	312,902	39,325
Cash & Cash Equivalents – Beginning of the Year	<u>1,796,760</u>	<u>1,757,435</u>
Cash & Cash Equivalents – End of the Year	<u>\$ 2,109,662</u>	<u>\$ 1,796,760</u>

The statement of revenues, expenditures, and changes in net position provides a more detailed look at the nature of these changes. The District had an operating income of \$237,561 for year ended June 30, 2013, which is slightly more than the fiscal year ending June 30, 2012. Revenues and expenses both decreased for the fiscal year. The decrease in revenue was only \$18,089, while the decrease in expenses was \$75,339. This resulted in a \$57,250 increase in operating income.

Statement of Revenues, Expenditures, and Changes in Net Position

	<u>FY 2013</u>	<u>FY 2012</u>
Operating Revenues		
Federal revenues	\$ 1,512,667	\$ 1,468,995
State revenues	1,212,096	1,179,917
Local	<u>3,406,109</u>	<u>3,500,025</u>
Total Operating Revenues	<u>6,130,872</u>	<u>6,148,937</u>
Operating Expenses		
Salaries	1,185,081	1,134,040
Fringe benefits	633,283	624,356
Travel	81,007	91,091
Subgrantees	3,297,503	3,310,034
Non-Capital grant purchases	31,129	32,101
Other	<u>665,284</u>	<u>777,004</u>
Total Expenses	<u>5,893,287</u>	<u>5,968,626</u>
Operating Income	<u>\$ 237,585</u>	<u>\$ 180,311</u>

Bank Interest Income	7,816	7,639
Interest Expense	<u>(18,900)</u>	<u>(19,950)</u>
Change in Net Position	<u>226,501</u>	<u>168,000</u>
Net Position – Beginning of the Year	2,470,585	2,299,547
Adjustments for deferred income, A/R, & write-offs	796	3,038
Net Position – End of Year	<u>\$ 2,697,882</u>	<u>\$ 2,470,585</u>

CAPITAL ASSETS

The District invested \$6,368 in capital assets for fiscal year 2013. This amount includes the purchase of computer equipment. Accumulated depreciation increased \$50,400. The fixed asset balance at the end of FY 2013 was \$440,591.

	Balance June 30, 2011	FY 2012 Additions	FY 2012 Disposals	Balance June 30, 2012	FY 2013 Additions	FY 2013 Disposals	Balance June 30, 2013
Property & Equipment	\$ 867,966	\$ 5,566	\$ 0	\$ 873,532	\$ 6,368	\$ 0	\$ 879,900
Accumulated Depreciation	\$(340,938)	\$(47,926)	\$ 0	\$(388,909)	\$(50,400)	\$ 0	\$(439,309)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2014 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2014, several of our state contracts, including Aging, had not been finalized due to budget cuts. We are speculating that our federal and state revenues will most likely be cut. Our Medicaid CDO program should continue to grow in fiscal year 2014. However, major changes may be taking place in the Medicaid CDO program for fiscal year 2015 and may have a large impact for the future. Another factor changing the operations and budget of the ADD for fiscal year 2014 is Homecare social services will be taken in-house of four of our eight counties. With this decision, a larger portion of the Homecare budget will be kept in-house and five new employees will be hired. The District will continue to assume the full debt of the loan for the new conference center. This debt will account for an additional \$40,000 in cash outlay for fiscal year 2014.

CONTACTING THE DISTRICT

The financial report is designed to provide the District's citizens, investors, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Michelle Allen, Finance Officer, at 917 Perry Park Road, Hazard, Kentucky 41701.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kentucky River Area Development District
Hazard, Kentucky

Stephen R. Allen, CPA/PFS
Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA/PFS
Jerry W. Hensley, CPA
Mark R. Wadlington, CPA, CGMA
Gwendolyn B. Young, CPA, CVA

Report on the Financial Statements

We have audited the accompanying financial statements of the Kentucky River Area Development District as of and for the years ended June 30, 2013 and 2012, 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 audits. We conducted our audits 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 auditors consider 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 Kentucky River Area Development District, as of June 30, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years 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 and budgetary comparison information on pages 1-4 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kentucky River Area Development District's basic financial statements. The supplementary grant schedules 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 U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is also not a required part of the basic financial statements.

The supplementary grant schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary grant schedules 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 25, 2013, on our consideration of Kentucky 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the Kentucky River Area Development District's internal control over financial reporting and compliance.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 25, 2013

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENTS OF NET POSITION
JUNE 30,

	2013	2012
ASSETS		
Current assets		
Cash	\$ 2,109,662	\$ 1,796,760
Certificates of deposit	345,158	343,606
Accounts receivable		
Federal and state	455,057	564,335
Local	-	965
Related party	88,721	47,046
Prepaid expenses	<u>1,504</u>	<u>8,803</u>
Total current assets	<u>3,000,102</u>	<u>2,761,515</u>
Other assets		
Property and equipment, net	440,591	484,623
Unamortized debt issue costs	<u>4,950</u>	<u>5,400</u>
Total other assets	<u>445,541</u>	<u>490,023</u>
Total assets	<u><u>\$ 3,445,643</u></u>	<u><u>\$ 3,251,538</u></u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 268,493	\$ 225,729
Accrued expenses	30,009	31,054
Current portion of notes payable	20,000	20,000
Unearned grant revenue	<u>37,849</u>	<u>105,475</u>
Total current liabilities	<u>356,351</u>	<u>382,258</u>
Long-term liabilities		
Accrued annual leave	91,410	78,695
Notes payable	<u>300,000</u>	<u>320,000</u>
Total long-term liabilities	<u>391,410</u>	<u>398,695</u>
Total liabilities	<u>747,761</u>	<u>780,953</u>
Net Position		
Net investment in capital assets	120,591	144,623
Unrestricted	<u>2,577,291</u>	<u>2,325,962</u>
Total net position	<u>2,697,882</u>	<u>2,470,585</u>
Total liabilities and net position	<u><u>\$ 3,445,643</u></u>	<u><u>\$ 3,251,538</u></u>

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended June 30,

	2013	2012
OPERATING REVENUES		
Federal	\$ 1,512,667	\$ 1,468,995
Commonwealth of Kentucky	1,212,096	1,179,917
Local (includes in-kind)	<u>3,406,109</u>	<u>3,500,025</u>
Total revenues	<u>6,130,872</u>	<u>6,148,937</u>
OPERATING EXPENSES		
Salaries	1,185,081	1,134,040
Fringe benefits	633,283	624,356
Travel	81,007	91,091
Subgrantees	3,297,503	3,310,034
Supplies	36,647	30,703
Postage	11,693	12,082
Dues, fees and subscriptions	17,325	19,242
Non-capital grant purchases and leases	31,129	32,102
Depreciation and amortization	50,850	48,376
Other (includes in-kind)	<u>548,769</u>	<u>666,600</u>
Total expenses	<u>5,893,287</u>	<u>5,968,626</u>
OPERATING INCOME	237,585	180,311
NON-OPERATING INCOME (EXPENSE)		
Bank interest income	7,816	7,639
Interest expense	<u>(18,900)</u>	<u>(19,950)</u>
Change in net position	226,501	168,000
Net position - beginning of year	2,470,585	2,299,547
Adjustment for deferred income, accounts receivable and write-offs from prior years	<u>796</u>	<u>3,038</u>
NET POSITION - END OF YEAR	<u>\$ 2,697,882</u>	<u>\$ 2,470,585</u>

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENTS OF CASH FLOWS
for the years ended June 30,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantor agencies	\$ 2,725,705	\$ 2,659,115
Local cash received	1,312,055	1,217,767
Payments to suppliers	(2,071,542)	(2,219,768)
Payments for employee services and benefits	<u>(1,614,312)</u>	<u>(1,578,778)</u>
Net cash provided by operating activities	<u>351,906</u>	<u>78,336</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(6,368)	(5,567)
Principal paid on capital debt	(20,000)	(20,000)
Interest expense	<u>(18,900)</u>	<u>(19,950)</u>
Net cash (used in) capital and related financing activities	<u>(45,268)</u>	<u>(45,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest income	7,816	7,639
Purchase of certificates of deposit	<u>(1,552)</u>	<u>(1,133)</u>
Net cash provided by investing activities	<u>6,264</u>	<u>6,506</u>
Net increase in cash and cash equivalents	312,902	39,325
Cash and cash equivalents - beginning of the year	<u>1,796,760</u>	<u>1,757,435</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 2,109,662</u>	<u>\$ 1,796,760</u>
Reconciliation of operating income to net cash provided by operating activities:		
Excess revenues over expenditures	\$ 237,585	\$ 180,311
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation & amortization	50,850	48,377
Adjustments for deferred income and accounts receivable	796	3,038
Change in assets and liabilities:		
Receivables, net	68,568	(29,205)
Prepaid expenses	7,299	2,829
Accounts and other payables	42,764	(114,231)
Accrued expenses	(1,045)	(55,060)
Accrued leave	12,715	2,869
Deferred revenues	<u>(67,626)</u>	<u>39,408</u>
Net cash provided by operating activities	<u>\$ 351,906</u>	<u>\$ 78,336</u>

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kentucky River Area Development District (the District) is a non-profit governmental corporation formed pursuant to KRS Chapter 147A which has as its primary purpose the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of an eight-county area in eastern Kentucky. Executive Order 71-1267, signed November 16, 1971, designated the District as the official comprehensive planning and program development agency for eastern Kentucky. The Order further designated the District as the regional clearinghouse pursuant to United States Office of Management and Budget Circular A-95. The 1972 Kentucky Legislature introduced and passed legislation (House Bill No. 423), which created and established the District under Kentucky law.

Reporting Entity - The District's financial statements include the operations of all entities for which its Board of Directors exercise oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters.

Basis of Presentation - The District's financial statements conform to the provisions of Governmental Accounting Standards Board Statement No. 34, "**Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments**" as it relates to special-purpose governments and, accordingly, the financial statements consist of the following:

Management's discussion and analysis (required supplementary information);

Basic financial statements

Entity-wide financial statements

Fund financial statements

Notes to the financial statements

Entity-wide financial statements – The District is a single fund, special-purpose entity that provides regional planning, development and aging services to the cities, counties and non-profit agencies within its eight county area. No entity-wide statements are required because a single proprietary fund is used for the District.

Fund Financial Statements – The District's financial statements include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The District follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not contradict GASB pronouncements.

Basis of Accounting – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are prepared on a full accrual basis.

Costs for all programs (including those programs outside of the Joint Funding Administration (JFA)) have been accounted for under the accounting system prescribed by the JFA. Indirect expenses have been allocated to JFA program elements and other programs on the basis of direct salary and fringe costs as allocated per employee's time records. Non-federal matching contributions are applied to individual programs on the basis of total expenses incurred on the program and the sharing ratio specified in the program agreement.

Revenue Recognition Policies - The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts upon the completion of agreed upon services. The District does not carry an allowance for doubtful accounts. Alternatively, the District writes off accounts receivable at a time it is determined they cannot be collected.

Non-Operating Income – The district recognizes investment income as non-operating income. All other income is recognized as operating income.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets - The District uses restricted net assets first to offset expense, when available, if both restricted and unrestricted net assets are available.

Unearned Grant Revenue – Unearned revenue arises when funds are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

Cash and Cash Equivalents – For purposes of the cash flow statement, the District defines cash and cash equivalents as cash in banks, funds in overnight repurchase agreements and any highly liquid investments with initial maturities of 90 days or less.

Fixed Assets - Property and equipment are stated at cost and depreciated over their estimated useful lives of three (3) to ten (10) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles and leasehold improvements. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan.

Budgeting – The District is not required to adopt a legal budget in the manner of most local governmental entities, the budget is an operational and management tool that ensures the maximum use of resources. The budget is approved by the board of directors and monthly reports are presented to the board and management using budget comparisons.

In-Kind - In-kind contributions included in the accompanying financial statements consist of donated volunteer time, facilities or services.

Compensated Absences - Employees of the District accrue sick leave at the rate of 1 day per month. Part-time employees earn sick leave on a pro rata basis as determined by the Executive Director. There is no limit as to the amount of sick leave that may be accrued; however, sick leave is forfeited upon termination of employment. The District will pay into the retirement system an amount equal to six months of the employers' contribution based upon the amount of sick leave the employee has accumulated upon agreement with the retirement system, toward retirement credit of the employee. Annual leave earned is based on seniority at the rates of 12 to 21 days per year and can be carried forward from one year to the next. A maximum of 60 days may be carried forward. All days in excess of 60 that are forfeited are converted to sick leave at the end of the year. The accrued liability for accumulated annual leave is reported on the balance sheet at June 30, 2013 and 2012 as \$91,410 and \$78,695, respectively.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through November 25, 2013, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2013, have not been evaluated by the District.

2. INCOME TAXES

The District is a non-profit organization incorporated November 12, 1974, and is exempt from income taxes under Internal Revenue Code, 501(c)(3) as determined by the IRS in a determination letter dated October 27, 1989. The District is no longer subject to income tax examinations by tax authorities for years before 2009.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

3. CASH AND INVESTMENTS

The District had cash and investment balances in excess of FDIC insurance or collateralized by the holding institution with an irrevocable, unconditional and non-transferable letter of credit, as detailed below. Kentucky Revised Statutes authorize local governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

	2013	2012
FDIC Insurance	\$ 595,159	\$ 593,606
Collateralized by letter of credit held in District's name	<u>2,000,000</u>	<u>1,750,000</u>
Covered cash and investments	2,595,159	2,343,606
Total cash and investments	<u>2,572,205</u>	<u>2,316,452</u>
Amount not insured/collateralized	<u>\$ -</u>	<u>\$ -</u>

4. GRANTS RECEIVABLE

Federal and state grants receivable consists of the following at June 30,:

	2013	2012
2007 Miscellaneous projects	\$ -	\$ 4,000
2008 Miscellaneous projects	31,000	7,900
2009 Miscellaneous projects	10,200	19,632
2010 Miscellaneous projects	4,201	46,669
2011 Miscellaneous projects	50,000	49,694
2012 Miscellaneous projects	31,976	77,497
2013 Miscellaneous projects	142,133	-
CDO Administration	18,496	161,143
Homecare	929	1,022
CCC	13,570	12,822
Aging	<u>152,552</u>	<u>183,956</u>
Total grant receivable	<u>\$ 455,057</u>	<u>\$ 564,335</u>

5. CAPITAL ASSETS

The District maintains property and equipment used in its operations. Fixed assets are stated at cost and depreciated over their estimated useful lives of three (3) to ten (10) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles and leasehold improvements. Depreciation expense is charged to shared costs and is allocated to the various grants using the approved cost allocation plan. The following summarizes the changes in fixed assets during the years ended:

	6/30/2011	FY 2012	FY 2012	6/30/2012	FY 2013	FY 2013	6/30/2013
	Balance	Additions	Disposals	Balance	Additions	Disposals	Balance
Building and equipment	\$ 867,966	\$ 5,566	\$ -	\$ 873,532	\$ 6,368	\$ -	\$ 879,900
Accumulated depreciation	<u>(340,983)</u>	<u>(47,926)</u>	<u>-</u>	<u>(388,909)</u>	<u>(50,400)</u>	<u>-</u>	<u>(439,309)</u>
Net	<u>\$ 526,983</u>	<u>\$ (42,360)</u>	<u>\$ -</u>	<u>\$ 484,623</u>	<u>\$ (44,032)</u>	<u>\$ -</u>	<u>\$ 440,591</u>

Depreciation expense totaled \$50,400 and \$47,926 for the years ended June 30, 2013 and 2012, respectively.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

6. UNEARNED GRANT REVENUE

At June 30, unearned grant revenue includes revenues received, but not earned. For the District, those grants are as follows:

Grant Name	2013	2012
KOHS Tower project	\$ 2,498	\$ 2,498
ARC	-	28,646
Data collection	1,260	1,260
AARP Senior Day	-	3,658
Senior games	4,921	4,285
IOA	1,506	-
ADRM	1,434	1,434
RAM Event	2,736	2,736
Senior ADRC	46	46
Title III-D Health Promotion	2,404	2,404
CG Meals	-	7,706
HD Meals	-	11,366
Elder Abuse Council	4,666	1,980
Kentucky Caregiver	72	72
Adult Day Care	-	13,530
Title V	596	911
Title V – ARRA	366	366
Low Income SHIP	290	290
Disaster and Emergency	1,790	1,790
Title VII Ombudsman	224	224
TBI	44	-
Homecare Choice	273	273
Medicare Fraud Grant	12,229	20,000
Ageing Community Project	<u>494</u>	<u>-</u>
Total	<u>\$ 37,849</u>	<u>\$ 105,475</u>

7. LONG-TERM LIABILITIES

During the year ended June 30, 2005, the District obtained a debt issue for \$450,000 to complete a building project to include a training facility, meeting room and convention facility. The debt issue is payable over 20 years with semi-annual interest payments and annual interest payments. The first interest payment was due 10/20/04 with final payment due 10/20/24. The debt issue is at a variable rate with rates from 2.75% to 5.50%. Interest expense for the years ended June 30, 2013 and 2012 was \$18,900 and \$19,950, respectively.

	Principal	Interest	Fees	Total
FY 14	\$ 20,000	\$ 16,600	\$ 750	\$ 37,350
FY 15	20,000	15,600	700	36,300
FY 16	20,000	14,575	650	35,225
FY 17	25,000	13,394	588	38,982
FY 18	25,000	12,081	525	37,606
FY 19-23	140,000	39,200	1,613	180,813
FY 24-25	<u>70,000</u>	<u>3,850</u>	<u>88</u>	<u>73,938</u>
Total	<u>\$ 320,000</u>	<u>\$ 115,300</u>	<u>\$ 4,914</u>	<u>\$ 440,214</u>

Change in long-term liabilities is as follows:

	6/30/2011	Additions	Payments	6/30/2012	Additions	Payments	6/30/2013
Leave	\$ 75,826	\$ 78,695	\$ (75,826)	\$ 78,695	\$ 67,444	\$ (54,729)	\$ 91,410
Debt	<u>360,000</u>	<u>-</u>	<u>(20,000)</u>	<u>340,000</u>	<u>-</u>	<u>(20,000)</u>	<u>320,000</u>
Total	<u>\$ 435,826</u>	<u>\$ 78,695</u>	<u>\$ (95,826)</u>	<u>\$ 418,695</u>	<u>\$ 67,444</u>	<u>\$ (74,729)</u>	<u>\$ 411,410</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

8. LEASES

The District entered into an operating lease for a copier on April 11, 2012. The terms of the lease require 48 monthly payments in the amount of \$471.90 totaling \$22,651. The district will pay \$5,663 for fiscal years 2013, 2014 and 2015. The District will pay \$4,719 for the year ending June 30, 2016.

The District also leases various equipment on an as-needed basis for short periods of time. Total lease expense for the years ended June 30, 2013 and 2012, totaled \$10,063 and \$10,528, respectively.

9. RETIREMENT PLAN

Kentucky River Area Development District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2013, grandfathered plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute 6% of wages for non-hazardous job classifications. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the years ended June 30, 2013 and 2012, participating employers contributed 19.55% and 18.96%, respectively, of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the District for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 263,360	100%
2012	\$ 258,224	100%
2011	\$ 221,750	100%

10. COMMITMENTS AND CONTINGENCIES

The financial statements contained herein do not include any provisions or allowances for any questioned or disallowed costs.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

11. PERFORMANCE CONTRACTS

Performance contracts represent contracts in which the grant is earned based on performance. For the fiscal years ended June 30, the following revenues were recorded in performance contracts:

	2013	2012
Transportation Planning	\$ 78,254	\$ 78,254
Transportation Data Collection – Sign inventory	39,999	802
Transportation Centerline Maintenance	-	8,400
FEMA Hazard Mitigation	-	1,963
KIA	65,455	65,455
KIA - WRIS	24,545	24,545
Homeland Security – NIMS Cast	-	2,906
Whitesburg Upper Bottom	-	1,500
Jackson Federal Place	12,400	7,600
Ball Creek Hindman	4,000	-
Jackson LS Rehab	195	-
North Perry Water	4,500	-
South Perry Water	5,500	-
Buchorn Water	2,000	-
Perry Co. Sanitation	4,200	-
KCADD Broadband	15,000	-
Leter Pert/Pine/Cram	15,000	-
Campton	5,000	-
Letcher Millstone	250	-
Letcher Deanne	2,500	-
Letcher Highway 160 – phase II	10,000	-
West Campton Sewer	15,000	-
Bull Elk Creek – phase I	200	-
Cumberland River Water	10,000	-
Owsley Co. Water FY 2008	23,500	-
Fleming Neon Sewer	-	7,000
Letcher Brownfields EPA	-	2,206
TCEA	-	5,000
Campton Water Treatment	5,200	11,250
Owsley Co. Community Center	-	5,000
Carr Creek phase 1	-	15,000
Boonville hilltop tank	12,500	7,500
Vicco KIA	8,650	1,350
Letcher-Knott Interconnect	4,831	325
Letcher Redstar	10,000	15,000
Whoopfalara	-	15,000
Letcher Highway 160 tank	-	2,500
Carr Creek phases 2 & 3	5,000	30,000
Breathitt SRF Canoe	19,800	17,700
Letcher Thornton	25,000	10,000
Lower Ball Creek	-	15,000
Various magisterial mapping	-	<u>6,750</u>
Total performance contracts	<u>\$ 428,479</u>	<u>\$ 358,006</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

12. KENTUCKY RIVER MEDICAID CDO

The District provides fiscal management services to Kentucky River Medicaid CDO Inc. Kentucky River Medicaid CDO Inc operates the Consumer Directed Options program for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Kentucky River Area District. Waiver clients have the option to choose CDO at any time. The ADD serves as the fiscal agent for the client and as a support broker. As clients opt for CDO, Medicaid advances funds based on client budgets. These funds are to be used to pay for services on behalf of the client. Throughout the year, DAIL reassesses the CDO program funding. Funds for each ADD are realigned and/or increased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed and the funds are paid to the ADD to reimburse the client account. The District was owed \$88,721 and 47,046, respectively, for the years ended June 30, 2013 and 2012.

13. RECLASSIFICATION

In the statement of cash flows, local cash received and payments to suppliers have been reduced in the prior year, by the amount of match provided by subrecipients. This match is a non-cash item for the District, but is included in the statement of revenues, expenses and changes in net position. This conforms to the current year presentation.

14. SUBSEQUENT EVENTS

Financial Reporting for Pensions

In June 2012, the GASB approved a pair of related statements that reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans.

The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision - usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards, the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 67 will take effect for pension plans in fiscal years beginning after June 15, 2013, (that is, for years ended June 30, 2014, or later). The District is currently evaluating the effects of this statement on its financial statements. At this time, the District has not received any information from the pension system to quantify what the potential unfunded liability may be.

SUPPLEMENTARY INFORMATION

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
for the year ended June 30, 2013**

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 1,427,387	\$ 1,427,387	\$ 1,512,667	\$ 85,280
State funds	2,055,322	2,055,322	1,212,096	(843,226)
Local dues	88,367	88,367	88,599	232
Local service and other funds	<u>185,250</u>	<u>185,250</u>	<u>3,325,326</u>	<u>3,140,076</u>
 Total revenues	 <u>3,756,326</u>	 <u>3,756,326</u>	 <u>6,138,688</u>	 <u>2,382,362</u>
EXPENSES				
Salaries & wages	1,007,873	1,007,873	1,010,991	3,118
Employee benefits	688,124	688,124	633,283	(54,841)
Title V enrollees	175,000	175,000	174,090	(910)
Aging pass through to local agencies	1,326,283	1,326,283	3,297,503	1,971,220
Travel	100,000	100,000	81,007	(18,993)
Audit	35,000	35,000	28,119	(6,881)
Equipment, leases and depreciation	88,478	88,478	81,979	(6,499)
Supplies	30,000	30,000	36,647	6,647
Postage	13,000	13,000	11,693	(1,307)
Dues, fees and subscriptions	17,500	17,500	17,325	(175)
Other costs	<u>275,068</u>	<u>275,068</u>	<u>539,550</u>	<u>264,482</u>
 Total expenses	 <u>3,756,326</u>	 <u>3,756,326</u>	 <u>5,912,187</u>	 <u>2,155,861</u>
 EXCESS REVENUES OVER (EXPENSES)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 226,501</u>	 <u>\$ 226,501</u>

COST ALLOCATION POLICY

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY**

All funds expended by Kentucky River Area Development District are charged either to a specific grant and/or program element as a Direct Charge or spread to all grants and/or program elements as a Shared (Indirect) cost. Direct charges are defined in OMB Circular A-87 as those that can be identified specifically with a particular cost objective. Shared (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 shared costs as they are charged by the District.

Direct/Shared Costs

1. **Salary** - Salaries of all professional employees are charged as direct costs to the grants and/or program elements in which their work is attributable. These charges are based on time sheets submitted by all employees. The Executive Director, fiscal officer and any employee whose time is so fragmented between elements are charged as shared costs.
2. **Employee Burden** - All employee burden which can be specifically related to an employee whose salary is charged as a direct cost is also charged as a direct cost. Similarly, the employee burden of those persons whose salary is charged as a shared cost is charged as a shared cost.
3. **Consultant Contracts and Contractual Services** - Contracts whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services, whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services whose content cannot be directly attributed to a specific program task, are charged as shared costs.
4. **Printing** - Outside printing costs which are readily identifiable and attributable to documents within a specific grant and/or work element are charged as direct costs. Miscellaneous printing costs are charged as shared costs.
5. **Travel** - All travel costs, which are directly attributable to an employee whose salary is charged as a direct cost is also charged as direct cost. All other travel costs, for Staff and Board, are charged as shared costs. Staff travel costs are allocated to grants and/or program elements accordingly to the total time spent by an employee on a specific program element during the month in which the travel occurred.
6. **Vacation, Sick and Holiday Leave** - All leave which can be specifically related to an employee whose salary is being charged as a direct cost is also charged as a direct cost. Any leave which is related to an employee whose salary is being charged as a shared cost is also charged as a shared cost.
7. **Audit Fees** - All audit fees are charged as a shared cost.
8. **Space Cost**- The space cost is charged as a shared cost.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY, continued**

9. **Equipment Rental/Purchase** - Because of the fact that all rental office equipment will, during the course of a fiscal year, benefit all grants and/or program elements, equipment rental costs are charged as shared costs. In accordance with the District's policy on capitalization, all equipment purchases under \$5,000 are charged as shared costs to all grants and program elements. Equipment purchases in excess of \$5,000 are ineligible grant costs and therefore are paid out of local cash. These items are then depreciated, and the depreciation is charged as a shared cost.

10. **Communications** - All communication costs, including telephone, postage and the like, are charged as shared costs.

11. All additional costs which are not identified above are charged as shared costs unless otherwise indicated by the Department for Local Government or prohibited by Federal regulations.

**FINANCIAL SCHEDULES
JOINT FUNDING ADMINISTRATION PROGRAM**

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the years ended June 30,

Cost Category	2013	2012
Personnel compensation	\$ 200,134	\$ 187,020
Fringe benefits	108,455	110,448
Travel	16,065	14,309
Accounting and audit	28,119	21,500
Equipment, leases and depreciation	79,259	78,072
Supplies	31,119	30,485
Postage	11,401	11,751
Telephone and utilities	28,804	26,969
Dues, fees and subscriptions	18,177	18,127
Other	<u>57,730</u>	<u>58,919</u>
 Total shared costs allocated	 <u>\$ 579,263</u>	 <u>\$ 557,600</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
JOINT FUNDING ADMINISTRATION PROGRAM
Period of Performance: July 1, 2012 - June 30, 2013**

		Budget	Direct	Indirect	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 176,163			\$ 176,163	\$ -	
State Funds		133,576			133,576	-	
Local Funds		<u>-</u>			<u>21,279</u>	<u>21,279</u>	
		<u>309,739</u>			<u>331,018</u>	<u>21,279</u>	
Expenses							
Community & Economic Planning & Development	120	73,377	52,210	21,167	73,377	-	
Community Development Block Grant	125	11,830	8,295	3,535	11,830	-	
ARC Planning	130	195,096	138,868	56,228	195,096	-	
Management Assistance	140	35,359	24,854	10,505	35,359	-	
Program Administration	150	<u>15,356</u>	<u>10,811</u>	<u>4,545</u>	<u>15,356</u>	<u>-</u>	
		<u>331,018</u>	<u>235,038</u>	<u>95,980</u>	<u>331,018</u>	<u>-</u>	<u>-</u>
Revenues over (Expenses)		<u>\$ (21,279)</u>			<u>\$ -</u>	<u>\$ 21,279</u>	

**FINANCIAL SCHEDULES
AREA AGENCY ON AGING**

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANT AREA AGENCY ON AGING
TITLE III / VII
for the year ended June 30, 2013**

	Title III						Title VII		Total Title III / VII	
	Agency Adminis- tration	Om- budsman	Social Services III-B	Cong. Meals III-C1	H.D. Meals III-C2	Health Prevention III-D	Care- giver III-E	Title VII Elder Abuse		Title VII Ombuds- man
Revenues										
Federal grant	\$ 53,626	\$ 16,593	\$ 171,029	\$ 193,101	\$ 161,856	\$ 11,078	\$ 67,794	\$ 2,579	\$ 5,198	\$ 682,854
State grant	23,816	2,193	17,807	44,000	58,324	8,049	-	-	-	154,189
Local	-	-	625,646	332,677	878,181	107,208	31,462	-	-	1,975,174
Other	5,820	220	-	-	-	-	-	-	-	6,040
Interest on advance	-	-	-	-	-	-	-	-	-	-
Program income	-	-	677	15,524	13,702	-	-	-	-	29,903
Local funds applied	1,323	472	245	-	-	246	2,116	620	1,433	6,455
Total revenues	84,585	19,478	815,404	585,302	1,112,063	126,581	101,372	3,199	6,631	2,854,615
Expenses										
Salaries	32,909	7,403	8,114	-	-	731	8,909	1,330	2,703	62,099
Fringe benefits	18,971	4,923	4,955	-	-	441	5,981	901	1,732	37,904
Staff travel	2,678	612	950	-	-	330	236	-	271	5,077
Subgrantees	-	-	750,693	573,723	1,097,462	114,751	-	-	-	2,536,629
Other costs	7,506	1,189	45,019	11,579	14,601	9,819	79,782	-	-	169,495
Total direct cost	62,064	14,127	809,731	585,302	1,112,063	126,072	94,908	2,231	4,706	2,811,204
Shared costs	22,521	5,351	5,673	-	-	509	6,464	968	1,925	43,411
Total expenses	84,585	19,478	815,404	585,302	1,112,063	126,581	101,372	3,199	6,631	2,854,615
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANT
AREA AGENCY ON AGING
HOMECARE
for the year ended June 30, 2013**

	Admin	Assessment	Case Management	Program Services	Social Services	H.D.Meals	Total Home care
Revenues							
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	48,465	20,000	163,000	-	320,707	18,015	570,187
Local	-	-	-	-	62,388	3,602	65,990
Other	90	-	1,190	-	-	-	1,280
Interest on advance	-	-	-	-	-	-	-
Program income	-	-	-	89	-	-	89
Local funds applied	2,380	841	3,471	-	-	-	6,692
Total revenues	50,935	20,841	167,661	89	383,095	21,617	644,238
Expenses							
Salaries	20,901	8,063	63,401	-	-	-	92,365
Fringe benefits	12,432	5,354	44,516	-	-	-	62,302
Staff travel	436	1,600	5,703	-	-	-	7,739
Subgrantees	-	-	-	-	383,095	21,467	404,562
Other costs	2,696	-	7,193	89	-	150	10,128
Total direct cost	36,465	15,017	120,813	89	383,095	21,617	577,096
Shared costs	14,470	5,824	46,848	-	-	-	67,142
Total expenses	50,935	20,841	167,661	89	383,095	21,617	644,238
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANT AREA AGENCY ON AGING
OTHER CONTRACT PROGRAMS
for the year ended June 30, 2013**

	Title V					ADC		KY Ombudsman	KY Caregiver	ADRC	CDSME	IAO	TBI	FAST	Total Other AAA
	NSIP	CMS SHIP	Admin	Enrollees	Other	Admin	Services								
Revenues															
Federal grant	\$ 192,106	\$ 37,762	\$ 29,162	\$ 175,397	\$ 24,240	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ 4,661	\$ 5,494	\$ -	\$ 3,000	\$ 478,822
State grant	-	-	-	-	-	5,905	63,570	34,370	73,790	-	-	-	256	-	177,891
Local	-	-	-	-	-	-	2,628	-	-	-	-	-	-	-	2,628
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	-	4,430	2,109	-	1,580	875	-	676	2,427	253	178	-	-	1,881	14,409
Total revenues	192,106	42,192	31,271	175,397	25,820	6,780	66,198	35,046	76,217	7,253	4,839	5,494	256	4,881	673,750
Expenses															
Salaries	-	17,660	15,489	162,230	11,860	2,843	-	13,257	7,595	3,220	1,390	586	120	2,052	238,302
Fringe benefits	-	9,086	5,939	13,167	4,080	1,566	-	8,299	4,977	1,664	622	295	42	1,241	50,978
Staff travel	-	1,473	387	-	1,615	49	-	720	212	154	51	138	24	158	4,981
Subgrantees	192,106	-	-	-	-	-	60,867	-	-	-	-	-	-	-	252,973
Other costs	-	2,362	154	-	1,345	408	5,331	3,412	57,975	95	1,903	4,093	-	-	77,078
Total direct cost	192,106	30,581	21,969	175,397	18,900	4,866	66,198	25,688	70,759	5,133	3,966	5,112	186	3,451	624,312
Shared costs	-	11,611	9,302	-	6,920	1,914	-	9,358	5,458	2,120	873	382	70	1,430	49,438
Total expenses	192,106	42,192	31,271	175,397	25,820	6,780	66,198	35,046	76,217	7,253	4,839	5,494	256	4,881	673,750
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANT - AREA AGENCY ON AGING
SUMMARY ALL AGING
for the year ended June 30, 2013**

	Total Title III / VII	Total Homecare	Total Other AAA	Total Agency on Aging	Elder Council	AARP Senior Day	Senior Games	CCC	Community Service Projects	Misc	Total Aging Programs
Revenues											
Federal grant	\$ 682,854	\$ -	\$ 478,822	\$ 1,161,676	\$ -	\$ -	\$ -	\$ 142,828	\$ -	\$ -	\$ 1,304,504
State grant	154,189	570,187	177,891	902,267	-	-	-	-	-	-	902,267
Local	1,975,174	65,990	2,628	2,043,792	-	-	-	40,055	-	-	2,083,847
Other	6,040	1,280	-	7,320	7,345	5,915	6,929	500	5,081	-	33,090
Interest on advance	-	-	-	-	-	-	-	-	-	-	-
Program income	29,903	89	-	29,992	-	-	-	-	-	-	29,992
Local funds applied	6,455	6,692	14,409	27,556	-	-	-	7,653	-	505	35,714
Total revenues	2,854,615	644,238	673,750	4,172,603	7,345	5,915	6,929	191,036	5,081	505	4,389,414
Expenses											
Salaries	62,099	92,365	238,302	392,766	-	-	-	13,224	-	176	406,166
Fringe benefits	37,904	62,302	50,978	151,184	-	-	-	5,079	-	176	156,439
Staff travel	5,077	7,739	4,981	17,797	310	-	(522)	1,328	-	-	18,913
Subgrantees	2,536,629	404,562	252,973	3,194,164	-	-	-	-	-	-	3,194,164
Other costs	169,495	10,128	77,078	256,701	7,035	5,915	7,451	163,460	5,081	-	445,643
Total direct cost	2,811,204	577,096	624,312	4,012,612	7,345	5,915	6,929	183,091	5,081	352	4,221,325
Shared costs	43,411	67,142	49,438	159,991	-	-	-	7,945	-	153	168,089
Total expenses	2,854,615	644,238	673,750	4,172,603	7,345	5,915	6,929	191,036	5,081	505	4,389,414
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

OTHER GRANT SCHEDULES

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS FOR CONSUMER DIRECTED OPTION (CDO)
for the year ended June 30, 2013

	HCB Fin. Mgmt.	HCB Support Brok.	SCL Fin. Mgmt.	SCL Support Brok.	Durable Goods	Total CDO
Revenues						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-	-
Local	-	-	-	-	-	-
Other	205,400	646,283	4,000	14,445	72,441	942,569
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	<u>2,572</u>	<u>-</u>	<u>1,124</u>	<u>-</u>	<u>24</u>	<u>3,720</u>
Total revenues	<u>207,972</u>	<u>646,283</u>	<u>5,124</u>	<u>14,445</u>	<u>72,465</u>	<u>946,289</u>
Expenses						
Salaries	88,950	221,319	2,192	2,616	-	315,077
Fringe benefits	55,244	145,699	1,381	1,670	-	203,994
Staff travel	-	17,317	-	730	-	18,047
Subgrantees	-	-	-	-	-	-
Other costs	<u>1,182</u>	<u>11,438</u>	<u>-</u>	<u>-</u>	<u>72,465</u>	<u>85,085</u>
Total direct cost	145,376	395,773	3,573	5,016	72,465	622,203
Shared costs	<u>62,596</u>	<u>159,325</u>	<u>1,551</u>	<u>1,861</u>	<u>-</u>	<u>225,333</u>
Total expenses	<u>207,972</u>	<u>555,098</u>	<u>5,124</u>	<u>6,877</u>	<u>72,465</u>	<u>847,536</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ 91,185</u>	<u>\$ -</u>	<u>\$ 7,568</u>	<u>\$ -</u>	<u>\$ 98,753</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES
OTHER GRANTS
for the year ended June 30, 2013

	Transp- ortation	Sign Inventory	Misc. Performance Contracts	Total
Revenues				
Federal	\$ -	\$ 32,000	\$ -	\$ 32,000
State	78,254	7,999	90,000	176,253
Local				-
Other	-	-	220,226	220,226
Interest on advance	-	-	-	-
Program income	-	-	-	-
Applied to programs	<u>21,745</u>	<u>3,141</u>	<u>-</u>	<u>24,886</u>
Total revenues	<u>99,999</u>	<u>43,140</u>	<u>310,226</u>	<u>453,365</u>
Expenses				
Salaries	40,610	19,037	68,843	128,490
Employee benefits	23,190	9,928	43,367	76,485
Travel	7,416	1,601	6,711	15,728
Subgrantees	-	-	-	-
Other costs	<u>1,087</u>	<u>-</u>	<u>3,060</u>	<u>4,147</u>
Total direct cost	72,303	30,566	121,981	224,850
Shared costs	<u>27,696</u>	<u>12,574</u>	<u>48,711</u>	<u>88,981</u>
Total expenses	<u>99,999</u>	<u>43,140</u>	<u>170,692</u>	<u>313,831</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,534</u>	<u>\$ 139,534</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES
for the year ended June 30, 2013

	JFA Schedule	Total Aging Programs	CDO	Medicaid Fraud Grant	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	\$ -	\$ 1,304,504	\$ -	\$ -	\$ 32,000	\$ -	\$ -	\$ 1,336,504
State	176,163	902,267	-	-	176,253	-	-	1,254,683
Local	-	2,083,847	-	-	-	88,099	-	2,171,946
Other	-	33,090	942,569	7,770	220,226	8,332	-	1,211,987
Interest on advance	-	-	-	-	-	-	-	-
Program income	-	29,992	-	-	-	-	-	29,992
Applied to programs	133,576	35,714	3,720	59	24,886	(197,955)	-	-
Total revenues	309,739	4,389,414	946,289	7,829	453,365	(101,524)	-	6,005,112
Expenses								
Salaries	133,866	406,166	315,077	1,348	128,490	-	200,134	1,185,081
Employee benefits	87,231	156,439	203,994	679	76,485	-	108,455	633,283
Travel	12,254	18,913	18,047	-	15,728	-	16,065	81,007
Subgrantees	-	3,194,164	-	-	-	-	-	3,194,164
Other costs	1,687	445,643	85,085	4,922	4,147	22,559	254,609	818,652
Total direct cost	235,038	4,221,325	622,203	6,949	224,850	22,559	579,263	5,912,187
Shared costs	-	168,089	225,333	880	88,981	-	(579,263)	(95,980)
Total expenses	235,038	4,389,414	847,536	7,829	313,831	22,559	-	5,816,207
Revenue over expenses	\$ 74,701	\$ -	\$ 98,753	\$ -	\$ 139,534	\$ (124,083)	\$ -	\$ 188,905

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
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**

To the Board of Directors
Kentucky River Area Development District
Hazard, 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 Kentucky River Area Development District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2013.

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. 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**.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
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*
(CONTINUED)**

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.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC

November 25, 2013

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133***

To the Board of Directors
Kentucky River Area Development District
Hazard, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Kentucky River Area Development District's (the District) compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 Kentucky River Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(CONTINUED)**

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 of compliance, 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 25, 2013

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2013**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
Appalachian Regional Commission				
Direct Award				
ARC Planning	23.009	KY-702I-C43	1/1/12-12/31/12	\$ 57,293
ARC Planning	23.009	KY-702I-C44	1/1/13-6/30/13	31,600
JFA-Management Assistance	23.009	KY-702I-C44	1/1/13-6/30/13	18,078
JFA-Program Assistance	23.009	KY-702I-C44	1/1/13-6/30/13	<u>7,692</u>
				<u>114,663</u>
U.S. Department of Commerce				
Economic Development Administration				
Passed through State (DLG) (Note 1)				
JFA-Community and Economic Assistance	11.302	FY 2013 JFA MOA	07/01/12-06/30/13	<u>56,500</u>
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG) (Note 1)				
JFA- CDBG	14.218	FY 2013 JFA MOA	07/01/12-06/30/13	<u>5,000</u>
U.S. Federal Highway Administration (FHWA)				
Passed through the Kentucky Transportation Cabinet				
Data Collection, sign inventory	20.205	PO2 605 1300000491	07/01/12-06/30/14	<u>32,000</u>
U.S. Department of Health and Human Services (HHS)				
Passed through State (CFHS/DAIL) (Note 2)				
Title III B Support Services	93.044	PON2 725 1200001055 3	07/01/12-06/30/13	204,106
Title III C1 Congregate Meals	93.045	PON2 725 1200001055 3	07/01/12-06/30/13	210,066
Title III C2 Home Delivered Meals	93.045	PON2 725 1200001055 3	07/01/12-06/30/13	176,076
NISP	93.053	PON2 725 1200001055 3	07/01/12-06/30/13	<u>192,106</u>
Total aging cluster				782,354
Title VII Elder Abuse	93.041	PON2 725 1200001055 3	07/01/12-06/30/13	2,579
Title VII Ombudsman	93.042	PON2 725 1200001055 3	07/01/12-06/30/13	5,198
Title III D Preventative Health	93.043	PON2 725 1200001055 3	07/01/12-06/30/13	11,078
ADRC	93.048	PON2 725 1200001055 3	07/01/12-06/30/13	7,000
Title III E Caregiver	93.052	PON2 725 1200001055 3	07/01/12-06/30/13	73,750
FAST	93.069	PON2 725 1200001055 3	07/01/12-06/30/13	3,000
ARRA - CDSME	93.725	PON2 725 1200001055 3	07/01/12-06/30/13	4,661
CMS SHIP	93.779	PON2 725 1200001055 3	07/01/12-06/30/13	37,762
IAO	93.945	PON2 725 1200001055 3	07/01/12-06/30/13	5,494
Community Collaboration for Children	93.556	PON2 736 1200001458 1	07/01/12-06/30/13	<u>142,828</u>
Total HHS				<u>1,075,704</u>
U.S. Department of Labor (DOL)				
Passed through State (CFHS/DAIL)				
Title V SCSEP	17.235	PON2 725 1200001055 3	07/01/12-06/30/13	<u>228,800</u>
Total federal awards, as presented in the financial statements.				<u>\$ 1,512,667</u>

Notes:

- 1) The Joint Funding Administration (JFA) program, which is reported under various federal agencies, is passed through the Commonwealth of Kentucky, Department of Local Government (DLG).
- 2) The Health & Human Services programs are passed through from the Commonwealth of Kentucky, Cabinet for Health and Family Services (CFHS), Department of Aging and Independent Living (DAIL).
- 3) Unearned revenue from other grantors both current and prior are disclosed in Note 6 to the financial statements.

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kentucky River Area Development District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2013**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified Yes No

Significant deficiencies identified that are not
considered to be material weaknesses Yes None reported

Non-compliance material to financial statements noted Yes No

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

Significant deficiencies identified that are not
considered to be material weaknesses Yes None reported

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

Unqualified for all major programs.

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of Circular A-133? Yes No

Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.044, 93.045, 93.053	Title III, Part B & C, NSIP

Dollar threshold used to distinguish between type A
and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? Yes No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE