

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

**FINANCIAL STATEMENTS
June 30, 2014 and 2013**

CONTENTS

Management's Discussion and Analysis	1-4
Independent Auditors' Report	5-6
Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10-16
Supplementary Information	
Budgetary Comparisons	17
Cost Allocation Policy	18-19
Schedule of Shared Costs	20
Statement of Operations by Program	21-29
Independent Auditors' Report on Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30-31
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	32-33
Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35

**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 2014 and 2013. 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 2014 increased \$338,239 from fiscal year 2013. A large increase in accounts receivable is responsible for the increase in net position.

Condensed Statement of Net Position

	<u>FY 2014</u>	<u>FY 2013</u>
Current Assets	\$ 3,233,308	\$ 3,000,102
Other Assets	<u>440,689</u>	<u>445,541</u>
Total Assets	<u>\$ 3,673,997</u>	<u>\$ 3,445,643</u>
Current Liabilities	\$ 357,876	\$ 447,761
Notes Payable long-term	280,000	300,000
Net assets		
Invested in capital assets	140,689	120,591
Unreserved	<u>2,895,432</u>	<u>2,577,297</u>
Total Liabilities & Net Assets	<u>\$ 3,673,997</u>	<u>\$ 3,445,643</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 \$353,126 for year ended June 30, 2014, which is over \$100,000 more than the fiscal year ending June 30, 2013. Revenues increased, while expenses decreased for the fiscal year. The increase in revenue was \$65,325, while the decrease in expenses was \$50,216. This resulted in a \$115,541 increase in operating income.

Statement of Revenues, Expenditures, and Changes in Net Position

	<u>FY 2014</u>	<u>FY 2013</u>
Operating Revenues		
Federal revenues	\$ 1,422,648	\$ 1,512,667
State revenues	1,226,923	1,212,096
Local	<u>3,546,626</u>	<u>3,406,109</u>
Total Operating Revenues	<u>6,196,197</u>	<u>6,130,872</u>
Operating Expenses		
Salaries	1,310,470	1,185,081
Fringe benefits	706,065	633,283
Travel	110,822	81,007
Subgrantees	2,920,018	3,297,503
Non-Capital grant purchases	47,881	31,129
Other	<u>747,815</u>	<u>665,2844</u>
Total Expenses	<u>5,893,287</u>	<u>5,893,287</u>
Operating Income	<u>\$ 353,126</u>	<u>\$ 237,585</u>
Bank Interest Income	7,789	7,816
Interest Expense	<u>(17,850)</u>	<u>(18,900)</u>
Change in Net Position	<u>343,065</u>	<u>226,501</u>
Net Position – Beginning of the Year	2,697,882	2,470,585
Adjustments for deferred income, A/R, & write-offs	(4,826)	796
Net Position – End of Year	<u>\$ 3,036,121</u>	<u>\$ 2,697,882</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 2013 to fiscal year 2014, Cash and Cash Equivalents decreased by \$20,515. The small decrease in net operating cash can be attributed to an decrease in cash from grantors and local resources and a increase in payments for employee services and benefits.

Condensed Statement of Cash Flows

	<u>FY 2014</u>	<u>FY 2013</u>
Net Cash Flow from Operating Activities	\$ 41,127	\$ 351,906
Net Cash from Capital & Financing Activities	(68,118)	(45,268)
Net Cash provided by (used in) Investing Activities	<u>6,476</u>	<u>6,264</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(20,515)	312,902
Cash & Cash Equivalents – Beginning of the Year	<u>2,109,662</u>	<u>1,796,760</u>
Cash & Cash Equivalents – End of the Year	<u>\$ 2,089,147</u>	<u>\$ 2,109,662</u>

CAPITAL ASSETS

The District invested \$30,268 in capital assets for fiscal year 2014. This amount includes the purchase of computer equipment, purchase of new staff vehicle, and parts for the heating and cooling system. Accumulated depreciation increased \$40,850. The fixed asset balance at the end of FY 2014 was \$430,009.

	Balance June 30, <u>2012</u>	FY 2013 <u>Additions</u>	FY 2013 <u>Disposals</u>	Balance June 30, <u>2013</u>	FY 2014 <u>Additions</u>	FY 2014 <u>Disposals</u>	Balance June 30, <u>2014</u>
Work in Progress					\$ 10,680		\$ 10,680
Property & Equipment	\$ 873,532	\$ 6,368	\$ 0	\$ 879,900	30,268	\$ 0	910,168
Accumulated Depreciation	<u>\$(388,909)</u>	<u>\$(50,400)</u>	<u>\$ 0</u>	<u>\$(439,309)</u>	<u>\$(40,850)</u>	<u>\$ 0</u>	<u>\$(480,159)</u>
NET	\$484,623	\$(44,032)	\$ 0	\$440,591	\$ 98	\$ 0	\$440,689

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2015 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2015, 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 2015. However, major changes may be taking place in the Medicaid CDO program for fiscal year 2016 and may have a large impact for the future. 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 2015.

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.



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

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, 2014 and 2013, 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, 2014 and 2013, 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.

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326

Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299

www.rfhco.com

Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-4 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 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 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 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 December 1, 2014, 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
December 1, 2014

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

	2014	2013
ASSETS		
Current assets		
Cash	\$ 2,089,147	\$ 2,109,662
Certificates of deposit	346,471	345,158
Accounts receivable		
Federal, state and local grants	724,014	455,057
Miscellaneous	101	-
Related party	71,791	88,721
Prepaid expenses	<u>1,784</u>	<u>1,504</u>
Total current assets	<u>3,233,308</u>	<u>3,000,102</u>
Other assets		
Property and equipment, net	440,689	440,591
Unamortized debt issue costs	<u>-</u>	<u>4,950</u>
Total other assets	<u>440,689</u>	<u>445,541</u>
Total assets	<u>\$ 3,673,997</u>	<u>\$ 3,445,643</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 176,160	\$ 268,493
Accrued expenses	41,826	30,009
Unearned grant revenue	23,669	37,849
Current portion of notes payable	<u>20,000</u>	<u>20,000</u>
Total current liabilities	<u>261,655</u>	<u>356,351</u>
Long-term liabilities		
Accrued annual leave	96,221	91,410
Notes payable	<u>280,000</u>	<u>300,000</u>
Total long-term liabilities	<u>376,221</u>	<u>391,410</u>
Total liabilities	<u>637,876</u>	<u>747,761</u>
Net Position		
Net investment in capital assets	140,689	120,591
Unrestricted	<u>2,895,432</u>	<u>2,577,291</u>
Total net position	<u>3,036,121</u>	<u>2,697,882</u>
Total liabilities and net position	<u>\$ 3,673,997</u>	<u>\$ 3,445,643</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,

	2014	2013
OPERATING REVENUES		
Federal	\$ 1,422,648	\$ 1,512,667
Commonwealth of Kentucky	1,225,288	1,212,096
Local (includes in-kind)	<u>3,548,261</u>	<u>3,406,109</u>
Total revenues	<u>6,196,197</u>	<u>6,130,872</u>
OPERATING EXPENSES		
Salaries	1,310,470	1,010,991
Fringe benefits	706,065	633,283
Travel	110,822	81,007
Subgrantees	2,920,018	3,297,503
Title V enrollees	171,868	174,090
Supplies	36,841	36,647
Postage	10,648	11,693
Dues, fees and subscriptions	17,958	17,325
Non-capital grant purchases and leases	47,881	31,129
Depreciation and amortization	41,300	50,850
Other (includes in-kind)	<u>469,200</u>	<u>548,769</u>
Total expenses	<u>5,843,071</u>	<u>5,893,287</u>
OPERATING INCOME	353,126	237,585
NON-OPERATING INCOME (EXPENSE)		
Bank interest income	7,789	7,816
Interest expense	<u>(17,850)</u>	<u>(18,900)</u>
Change in net position	343,065	226,501
Net position - beginning of year	2,697,882	2,470,585
Adjustment for deferred income, accounts receivable and write-offs from prior years	<u>(4,826)</u>	<u>796</u>
NET POSITION - END OF YEAR	<u>\$ 3,036,121</u>	<u>\$ 2,697,882</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,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantor agencies	\$ 2,383,263	\$ 2,725,705
Local cash received	370,882	1,312,055
Payments to suppliers	(890,143)	(2,071,542)
Payments for employee services and benefits	<u>(1,822,875)</u>	<u>(1,614,312)</u>
Net cash provided by operating activities	<u>41,127</u>	<u>351,906</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(30,268)	(6,368)
Principal paid on capital debt	(20,000)	(20,000)
Interest expense	<u>(17,850)</u>	<u>(18,900)</u>
Net cash (used in) capital and related financing activities	<u>(68,118)</u>	<u>(45,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest income	7,789	7,816
Purchase of certificates of deposit	<u>(1,313)</u>	<u>(1,552)</u>
Net cash provided by investing activities	<u>6,476</u>	<u>6,264</u>
Net increase (decrease) in cash and cash equivalents	(20,515)	312,902
Cash and cash equivalents - beginning of the year	<u>2,109,662</u>	<u>1,796,760</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 2,089,147</u></u>	<u><u>\$ 2,109,662</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Excess revenues over expenses	\$ 353,126	\$ 237,585
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	41,300	50,850
Adjustments for deferred income and accounts receivable	4,826	796
Program income collected by subrecipients	(15,832)	-
Change in assets and liabilities:		
Receivables, net	(252,128)	68,568
Prepaid expenses	(280)	7,299
Accounts and other payables	(92,333)	42,764
Accrued expenses	11,817	(1,045)
Accrued leave	4,811	12,715
Unearned revenues	<u>(14,180)</u>	<u>(67,626)</u>
Net cash provided by operating activities	<u><u>\$ 41,127</u></u>	<u><u>\$ 351,906</u></u>

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

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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);

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.

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, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position - The District uses restricted net position first to offset expense, when available, if both restricted and unrestricted net position is 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 reported on the balance sheet at June 30, 2014 and 2013 is \$96,221 and \$91,410, 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.

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 2011.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through December 1, 2014, 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, 2014, have not been evaluated by the District.

2. CASH AND INVESTMENTS

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.

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

2. CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health Department will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The District's cash and investment balances covered by FDIC insurance and collateralized by the holding institution with an irrevocable, unconditional and non-transferable letter of credit, is detailed as of June 30,:

	2014	2013
FDIC Insurance	\$ 596,471	\$ 595,159
Collateralized by letter of credit held in District's name	<u> -</u>	<u>2,000,000</u>
Covered cash and investments	596,471	2,343,606
Total cash and investments	<u>2,591,955</u>	<u>2,572,205</u>
Amount not insured/collateralized	<u>\$ 1,995,484</u>	<u>\$ -</u>

The District did not have the letter of credit in place between May 20, 2014 and October 7, 2014. The current letter of credit expires October 7, 2015.

3. GRANTS RECEIVABLE

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

	2014	2013
2008 Local projects	\$ 7,500	\$ 31,000
2009 Local projects	10,200	10,200
2010 Local projects	4,201	4,201
2011 Local projects	37,500	50,000
2012 Local projects	25,324	31,976
2013 Local projects	51,469	142,133
2014 Local projects	237,749	-
CDO Administration	98,577	18,496
Homecare	1,198	929
CCC	44,346	13,570
Aging	<u>205,950</u>	<u>152,552</u>
Total grant receivable	<u>\$ 724,014</u>	<u>\$ 455,057</u>

4. 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. 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:

	6/30/2012	FY 2013	FY 2013	6/30/2013	FY 2014	FY 2014	6/30/2014
	Balance	Additions	Disposals	Balance	Additions	Disposals	Balance
Work in process	\$ -	\$ -	\$ -	\$ -	\$ 10,680	\$ -	\$ 10,680
Building and equipment	873,532	6,368	-	879,900	30,268	-	910,168
Accumulated depreciation	<u>(388,909)</u>	<u>(50,400)</u>	<u> -</u>	<u>(439,309)</u>	<u>(40,850)</u>	<u> -</u>	<u>(480,159)</u>
Net	<u>\$ 484,623</u>	<u>\$ (44,032)</u>	<u>\$ -</u>	<u>\$ 440,591</u>	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ 440,689</u>

Depreciation expense totaled \$40,850 and \$50,400 for the years ended June 30, 2014 and 2013, respectively.

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

5. 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	2014	2013
KOHS Tower project	\$ 2,498	\$ 2,498
Data collection	1,260	1,260
Senior games	1,342	4,921
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
Elder Abuse Council	4,207	4,666
Kentucky Caregiver	72	72
Title V	205	596
Title V – ARRA	366	366
Low Income SHIP	290	290
Disaster and Emergency	1,790	1,790
Title VII Ombudsman	224	224
TBI	44	44
Homecare Choice	273	273
Medicare Fraud Grant	3,600	12,229
Aging Community Project	745	494
CDSME	<u>133</u>	<u>-</u>
Total	<u>\$ 23,669</u>	<u>\$ 37,849</u>

6. 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, 2014 and 2013 was \$17,850 and \$18,900, respectively.

	Principal	Interest	Fees	Total
FY 15	\$ 20,000	\$ 15,600	\$ 1,200	\$ 36,800
FY 16	20,000	14,575	1,150	35,725
FY 17	25,000	13,394	1,088	39,482
FY 18	25,000	12,081	1,025	38,106
FY 19	25,000	10,770	962	36,732
FY 20-24	150,000	31,318	3,738	185,056
FY 25	<u>35,000</u>	<u>962</u>	<u>250</u>	<u>36,212</u>
Total	<u>\$ 300,000</u>	<u>\$ 98,700</u>	<u>\$ 9,413</u>	<u>\$ 408,113</u>

Change in long-term liabilities is as follows:

	6/30/2012	Additions	Payments	6/30/2013	Additions	Payments	6/30/2014
Leave	\$ 78,695	\$ 67,444	\$ (54,729)	\$ 91,410	\$ 67,456	\$ (62,645)	\$ 96,221
Debt	<u>340,000</u>	<u>-</u>	<u>(20,000)</u>	<u>320,000</u>	<u>-</u>	<u>(20,000)</u>	<u>300,000</u>
Total	<u>\$ 418,695</u>	<u>\$ 67,444</u>	<u>\$ (74,729)</u>	<u>\$ 411,410</u>	<u>\$ 67,456</u>	<u>\$ (82,645)</u>	<u>\$ 396,221</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

7. 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.

Additionally, The District leases small equipment on an as-needed basis for short periods of time. Total lease expense for the years ended June 30, 2014 and 2013, totaled \$12,059 and \$10,063, respectively.

8. 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, 2014, 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, 2014 and 2013, participating employers contributed 18.89% and 19.55%, 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:

Year	Required Contribution	Percentage Contributed
2014	\$ 281,447	100%
2013	\$ 263,360	100%
2012	\$ 258,224	100%

9. 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, 2014 and 2013

10. 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:

	2014	2013
Transportation Planning	\$ 80,567	\$ 78,254
Transportation Data Collection – Sign inventory	-	39,999
Transportation Road Updates	12,832	-
CMRS – Various counties	62,000	-
CMRS – Perry County	37,319	-
KIA	59,500	65,455
KIA - WRIS	29,500	24,545
Jackson Federal Place	5,000	12,400
Ball Creek Hindman	3,000	4,000
Jackson LS Rehab	25,055	195
North Perry Water	500	4,500
South Perry Water	1,100	5,500
Buchorn Water	-	2,000
Perry Co. Sanitation	4,000	4,200
KCADD Broadband	-	15,000
Letcher Pert/Pine/Cram	5,000	15,000
Campton	-	5,000
Letcher Millstone	27,250	250
Letcher Deanne	5,000	2,500
Letcher Highway 160 – phase II	7,200	10,000
West Campton Sewer	20,000	15,000
Bull Elk Creek – phase I	14,800	200
Cumberland River Water	1,700	10,000
Owsley Co. Water FY 2008	-	23,500
Campton Bethany Water	3,500	-
Bethany Road	6,650	-
Leslie County Veterans Cemetery	1,000	-
Jenkins Phase III	20,000	-
KADIS – PADD	1,851	-
Letcher Debt Relief	2,750	-
VICCO	1,500	-
Buckhorn Route 28 Water	350	-
GRADD Broadband	11,148	-
Perry Lewis Hollow Water	4,500	-
Craft Colley/Dry Fork Sewer	1,500	-
Jenkins Phase IV	50	-
Campton Water Treatment	1,050	5,200
Boonville hilltop tank	-	12,500
Vicco KIA	-	8,650
Letcher-Knott Interconnect	-	4,831
Letcher Redstar	-	10,000
Whoopfalara projects	10,000	-
Letcher Highway 160 tank	-	-
Carr Creek phases 2 & 3	-	5,000
Breathitt SRF Canoe	2,500	19,800
Letcher Thornton	-	25,000
	<u> </u>	<u> </u>
Total performance contracts	<u>\$ 469,672</u>	<u>\$ 428,479</u>

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

11. 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 District 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 district 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 each district to reimburse the client account. The District was owed \$71,791 and 88,721, respectively, for the years ended June 30, 2014 and 2013.

12. COST ALLOCATION PLAN

Kentucky River Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225 (OMB Circular A-87). A summary of the cost allocation plan begins on page 18. The District is in conformity with 2 CFR Part 225.

13. GASB 68

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. The District's potential unfunded liability would be approximately \$2,344,318 based on the 2013 plan financial statements plan contributions. The actual liability for June 30, 2015, could be considerably different due to changes in system assumptions and liabilities.

SUPPLEMENTARY INFORMATION

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS
for the year ended June 30, 2014**

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 1,316,998	\$ 1,316,998	\$ 1,422,648	\$ 105,650
State funds	1,950,648	1,950,648	1,225,288	(725,360)
Local dues	88,367	88,367	92,047	3,680
Local service and other funds	<u>427,100</u>	<u>427,100</u>	<u>3,464,003</u>	<u>3,036,903</u>
 Total revenues	 <u>3,783,113</u>	 <u>3,783,113</u>	 <u>6,203,986</u>	 <u>2,420,873</u>
 EXPENSES				
Salaries and wages	1,165,984	1,165,984	1,310,470	144,486
Employee benefits	681,508	681,508	706,065	24,557
Travel	79,500	79,500	110,822	31,322
Aging pass through to local agencies	1,326,437	1,326,437	2,920,018	1,593,581
Title V enrollees	165,000	165,000	171,868	6,868
Accounting	35,100	35,100	27,542	(7,558)
Supplies	32,000	32,000	36,841	4,841
Postage	12,000	12,000	10,648	(1,352)
Dues, fees and subscriptions	23,500	23,500	17,958	(5,542)
Equipment, leases and depreciation	93,350	93,350	89,181	(4,169)
Other costs	<u>168,734</u>	<u>168,734</u>	<u>459,508</u>	<u>290,774</u>
 Total expenses	 <u>3,783,113</u>	 <u>3,783,113</u>	 <u>5,860,921</u>	 <u>2,077,808</u>
 EXCESS REVENUES OVER EXPENSES	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 343,065</u>	 <u>\$ 343,065</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.

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

Cost Category	2014	2013
Personnel compensation	\$ 197,394	\$ 200,134
Fringe benefits	97,175	108,455
Travel	13,688	16,065
Accounting	27,542	28,119
Supplies	26,828	31,119
Postage	10,530	11,401
Telephone and utilities	36,999	28,804
Dues, fees and subscriptions	17,799	18,177
Equipment, leases and depreciation	76,217	79,259
Other	<u>51,353</u>	<u>57,730</u>
 Total shared costs allocated	 <u>\$ 555,525</u>	 <u>\$ 579,263</u>

**STATEMENTS OF OPERATIONS
BY PROGRAM**

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
for the year ended June 30, 2014

	JFA Schedule	Total Area Agency on Aging	Total Other Aging Programs	CDO	Medicaid Fraud Grant	Other Grants	Local Operations	G & A Expense	Total
Revenues									
Federal	\$ 160,932	\$ 1,108,622	\$ 142,828	\$ -	\$ -	\$ 10,266	\$ -	\$ -	\$ 1,422,648
State	134,537	843,799	-	-	-	227,168	19,784	-	1,225,288
Local	-	1,932,541	46,288	-	-	-	99,846	-	2,078,675
Other	-	2,285	43,310	1,166,811	8,629	232,238	-	-	1,453,273
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	24,102	-	-	-	-	-	-	24,102
Applied to programs	23,001	42,534	6,534	3,416	(0)	21,525	(97,010)	-	(0)
Total revenues	318,470	3,953,883	238,960	1,170,227	8,629	491,197	22,620	-	6,203,986
Expenses									
Salaries	134,604	488,374	13,828	353,512	820	121,938	-	197,394	1,310,470
Employee benefits	88,900	218,048	5,201	225,876	286	70,579	-	97,175	706,065
Travel	12,797	41,403	645	22,042	-	19,438	809	13,688	110,822
Subgrantees	-	2,874,398	45,620	-	-	-	-	-	2,920,018
Other costs	1,997	140,415	166,840	112,658	7,126	111,537	25,705	247,268	813,546
Total direct cost	238,298	3,762,638	232,134	714,088	8,232	323,492	26,514	555,525	5,860,921
Shared costs	80,172	191,245	6,826	207,828	397	69,057	-	(555,525)	-
Total expenses	318,470	3,953,883	238,960	921,916	8,629	392,549	26,514	-	5,860,921
Revenue over expenses	\$ -	\$ -	\$ -	\$ 248,311	\$ -	\$ 98,648	\$ (3,894)	\$ -	\$ 343,065

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2014**

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 160,932			\$ 160,932	\$ -	
State Funds		134,537			134,537	-	
Local Funds		<u>-</u>			<u>23,001</u>	<u>23,001</u>	
		<u>295,469</u>			<u>318,470</u>	<u>23,001</u>	
Expenses							
Community & Economic Planning & Development	120	62,468	51,858	18,033	69,891	7,423	
Community Development Block Grant	125	10,000	11,163	3,230	14,393	4,393	
ARC Planning	130	171,552	135,091	45,024	180,115	8,563	
Management Assistance	140	36,000	28,193	9,586	37,779	1,779	
Program Administration	150	<u>15,449</u>	<u>11,993</u>	<u>4,299</u>	<u>16,292</u>	<u>843</u>	
		<u>295,469</u>	<u>238,298</u>	<u>80,172</u>	<u>318,470</u>	<u>23,001</u>	<u>-</u>
Revenues over expenses		<u>\$ -</u>			<u>\$ -</u>	<u>\$ (0)</u>	

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING
for the year ended June 30, 2014**

	Agency Adminis- tration	Social Services III-B	Om- budsman III-B	Cong. Meals III-C1	H.D. Meals III-C2	NSIP	Preventative Health III-D	Care- giver III-E	Title VII Elder Abuse	Title VII Ombuds- man	Total Title V	Total Homecare	Total Adult Day	KY Ombudsman	KY Caregiver	Total Contract
Revenues																
Federal grant	\$ 52,043	\$ 143,102	\$ 17,973	\$ 178,570	\$ 155,553	\$ 166,052	\$ 10,428	\$ 63,823	\$ 2,532	\$ 4,443	\$ 211,945	\$ -	\$ -	\$ -	\$ -	\$ 1,006,464
State grant	23,266	28,103	2,193	33,501	49,388	-	1,869	-	-	-	-	544,537	53,712	34,178	73,052	843,799
Local	-	596,322	-	326,218	814,825	-	23,444	29,066	-	-	119,299	23,367	-	-	-	1,932,541
Other	1,483	-	-	-	-	-	-	48	-	-	-	412	-	182	-	2,125
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	12,540	10,837	-	-	-	-	-	-	725	-	-	-	24,102
Local funds applied	2,799	1,826	62	-	-	-	76	1,301	605	1,018	8,448	20,316	472	1,511	1,356	39,789
Total revenues	79,591	769,353	20,228	550,829	1,030,603	166,052	35,817	94,238	3,137	5,461	339,692	589,357	54,184	35,871	74,408	3,848,820
Expenses																
Salaries	29,971	7,391	7,933	-	-	-	960	11,336	1,344	2,274	183,612	173,978	2,961	14,097	9,443	445,300
Fringe benefits	16,310	4,722	5,324	-	-	-	503	7,107	965	1,546	21,667	117,966	1,579	9,592	6,106	193,387
Staff travel	4,763	861	1,036	-	-	-	-	189	-	271	2,028	29,161	39	2,217	197	40,762
Subgrantees	-	750,371	-	545,829	1,029,695	166,052	33,829	29,066	-	-	119,299	155,005	44,935	-	-	2,874,081
Other costs	11,946	1,663	1,180	5,000	908	-	-	39,924	-	-	1,601	8,526	3,041	1,468	53,085	128,342
Total direct cost	62,990	765,008	15,473	550,829	1,030,603	166,052	35,292	87,622	2,309	4,091	328,207	484,636	52,555	27,374	68,831	3,681,872
Shared costs	16,601	4,345	4,755	-	-	-	525	6,616	828	1,370	11,485	104,721	1,629	8,497	5,577	166,948
Total expenses	79,591	769,353	20,228	550,829	1,030,603	166,052	35,817	94,238	3,137	5,461	339,692	589,357	54,184	35,871	74,408	3,848,820
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING (CONTINUED)
for the year ended June 30, 2014**

	CMS SHIP	ADRC-B	CDSME	FAST	IAO	MIPPA AAA	MIPPA ADRC	HBE	Total Contract
Revenues									
Federal grant	\$ 34,066	\$ 2,300	\$ 3,893	\$ 3,000	\$ 7,000	\$ 14,171	\$ 6,955	\$ 30,773	\$ 102,158
State grant	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-
Other	160	-	-	-	-	-	-	-	160
Interest on advance	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Local funds applied	1,919	491	0	148	18	56	4	109	2,745
Total revenues	36,145	2,791	3,893	3,148	7,018	14,227	6,959	30,882	105,063
Expenses									
Salaries	15,782	946	909	1,283	234	6,443	3,100	14,377	43,074
Fringe benefits	8,301	740	594	890	194	4,028	2,022	7,892	24,661
Staff travel	415	-	30	196	-	-	-	-	641
Subgrantees	-	-	317	-	-	-	-	-	317
Other costs	3,008	500	1,504	-	6,436	-	-	625	12,073
Total direct cost	27,506	2,186	3,354	2,369	6,864	10,471	5,122	22,894	80,766
Shared costs	8,639	605	539	779	154	3,756	1,837	7,988	24,297
Total expenses	36,145	2,791	3,893	3,148	7,018	14,227	6,959	30,882	105,063
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HEMOCARE
for the year ended June 30, 2014

	Admin	Assessment	Case Management	Social Services	H.D.Meals	Total Homecare
Revenues						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	54,454	15,000	145,361	311,707	18,015	544,537
Local	-	-	1,500	17,886	3,981	23,367
Other	-	-	262	150	-	412
Interest on advance	-	-	-	-	-	-
Program income	-	-	725	-	-	725
Local funds applied	2,367	893	8,319	8,737	-	20,316
Total revenues	56,821	15,893	156,167	338,480	21,996	589,357
Expenses						
Salaries	23,724	6,212	64,482	79,560	-	173,978
Fringe benefits	13,722	4,341	44,031	55,872	-	117,966
Staff travel	670	1,555	5,575	21,361	-	29,161
Subgrantees	-	-	1,500	131,659	21,846	155,005
Other costs	5,273	-	1,655	1,448	150	8,526
Total direct cost	43,389	12,108	117,243	289,900	21,996	484,636
Shared costs	13,432	3,785	38,924	48,580	-	104,721
Total expenses	56,821	15,893	156,167	338,480	21,996	589,357
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
TITLE V AND TITLE VII
for the year ended June 30, 2014**

	Title V			Total Title V	ADC		Total ADC
	Admin	Enrollees	Other		Admin	Services	
Revenues							
Federal grant	\$ 21,934	\$ 167,656	\$ 22,355	\$ 211,945	\$ -	\$ -	\$ -
State grant	-	-	-	-	6,277	47,435	53,712
Local	-	-	119,299	119,299	-	-	-
Other	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-
Local funds applied	1,517	5,606	1,324	8,448	472	-	472
Total revenues	23,451	173,262	142,978	339,692	6,749	47,435	54,184
Expenses							
Salaries	11,744	160,486	11,382	183,612	2,961	-	2,961
Fringe benefits	4,686	12,776	4,205	21,667	1,579	-	1,579
Staff travel	565	-	1,463	2,028	39	-	39
Subgrantees	-	-	119,299	119,299	-	44,935	44,935
Other costs	563	-	1,038	1,601	541	2,500	3,041
Total direct cost	17,558	173,262	137,387	328,207	5,120	47,435	52,555
Shared costs	5,893	-	5,591	11,485	1,629	-	1,629
Total expenses	23,451	173,262	142,978	339,692	6,749	47,435	54,184
Revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER AGING PROGRAMS
for the year ended June 30, 2014

	CCC	Elder Council	AARP Senior Day	Senior Games	Community Service Projects	Total Other Aging
Revenues						
Federal grant	\$ 142,828	\$ -	\$ -	\$ -	\$ -	\$ 142,828
State grant	-	-	-	-	-	-
Local	45,641	-	-	647	-	46,288
Other	1,250	10,450	15,632	12,230	3,748	43,310
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	6,533	1	-	-	-	6,534
Total revenues	<u>196,252</u>	<u>10,451</u>	<u>15,632</u>	<u>12,877</u>	<u>3,748</u>	<u>238,960</u>
Expenses						
Salaries	13,828	-	-	-	-	13,828
Fringe benefits	5,201	-	-	-	-	5,201
Staff travel	605	20	-	20	-	645
Subgrantees	45,620	-	-	-	-	45,620
Other costs	124,172	10,431	15,632	12,857	3,748	166,840
Total direct cost	189,426	10,451	15,632	12,877	3,748	232,134
Shared costs	6,826	-	-	-	-	6,826
Total expenses	<u>196,252</u>	<u>10,451</u>	<u>15,632</u>	<u>12,877</u>	<u>3,748</u>	<u>238,960</u>
Revenue over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
CONSUMER DIRECTED OPTION (CDO)
for the year ended June 30, 2014**

	HCB Fin. Mgmt.	HCB Support Brok.	SCL Fin. Mgmt.	SCL Support Brok.	Durable Goods	Total CDO
Revenues						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-	-
Local	-	-	-	-	-	-
Other	257,100	800,318	4,800	12,720	91,873	1,166,811
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Local funds applied	-	-	-	-	3,416	3,416
Total revenues	<u>257,100</u>	<u>800,318</u>	<u>4,800</u>	<u>12,720</u>	<u>95,289</u>	<u>1,170,227</u>
Expenses						
Salaries	93,261	256,284	2,161	1,806	-	353,512
Fringe benefits	57,633	165,366	1,333	1,544	-	225,876
Staff travel	248	21,677	-	117	-	22,042
Subgrantees	-	-	-	-	-	-
Other costs	1,191	16,178	-	-	95,289	112,658
Total direct cost	<u>152,333</u>	<u>459,505</u>	<u>3,494</u>	<u>3,467</u>	<u>95,289</u>	<u>714,088</u>
Shared costs	<u>54,126</u>	<u>151,247</u>	<u>1,253</u>	<u>1,202</u>	<u>-</u>	<u>207,828</u>
Total expenses	<u>206,459</u>	<u>610,752</u>	<u>4,747</u>	<u>4,669</u>	<u>95,289</u>	<u>921,916</u>
Revenue over expenses	<u>\$ 50,641</u>	<u>\$ 189,566</u>	<u>\$ 53</u>	<u>\$ 8,051</u>	<u>\$ -</u>	<u>\$ 248,311</u>

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2014**

	Transportation Planning	Transportation Road Updates	CMRS Various Co.	CMRS Perry Co.	Misc. Performance Contracts	Total
Revenues						
Federal	\$ -	\$ 10,266	\$ -	\$ -	\$ -	\$ 10,266
State	80,567	2,566	62,000	37,319	44,716	227,168
Local						-
Other	-	-	-	-	232,238	232,238
Interest on advance	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Applied to programs	21,037	198	150	140	-	21,525
Total revenues	101,604	13,030	62,150	37,459	276,954	491,197
Expenses						
Salaries	43,937	5,697	605	189	71,510	121,938
Employee benefits	23,888	3,769	319	108	42,495	70,579
Travel	8,391	169	-	-	10,878	19,438
Subgrantees	-	-	-	-	-	-
Other costs	1,059	-	60,895	37,055	12,528	111,537
Total direct cost	77,275	9,635	61,819	37,352	137,411	323,492
Shared costs	24,329	3,395	331	107	40,895	69,057
Total expenses	101,604	13,030	62,150	37,459	178,306	392,549
Revenue over expenses	\$ (0)	\$ -	\$ -	\$ -	\$ 98,648	\$ 98,648

**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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2014.

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*.

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326

Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299

www.rfhco.com

**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

December 1, 2014



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

**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, 2014. 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, 2014.

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326

Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299

www.rfhco.com

**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
December 1, 2014

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2014**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
Appalachian Regional Commission				
Direct Award				
ARC Planning	23.009	KY-0702I-C44	1/1/12-12/31/12	\$ 51,512
ARC Planning	23.009	KY-0702I-C45	1/1/14-12/31/14	30,360
JFA-Management Assistance	23.009	KY-0702I-C45	1/1/14-12/31/14	17,000
JFA-Program Assistance	23.009	KY-0702I-C45	1/1/14-12/31/14	<u>7,160</u>
				<u>106,032</u>
U.S. Department of Commerce				
Economic Development Administration				
Passed through State (DLG) (Note 1)				
JFA-Community and Economic Assistance	11.302	FY 2014 JFA MOA	07/01/13-06/30/14	<u>49,900</u>
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG) (Note 1)				
JFA- CDBG	14.218	FY 2014 JFA MOA	07/01/13-06/30/14	<u>5,000</u>
U.S. Federal Highway Administration (FHWA)				
Passed through the Kentucky Transportation Cabinet				
Road updates, various counties	20.205	P02 625 1400002197	07/01/12-06/30/14	<u>10,266</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 1300002015 2	07/01/13-06/30/14	177,016
Title III C1 Congregate Meals	93.045	PON2 725 1300002015 2	07/01/13-06/30/14	197,571
Title III C2 Home Delivered Meals	93.045	PON2 725 1300002015 2	07/01/13-06/30/14	165,121
NISP	93.053	PON2 725 1300002015 2	07/01/13-06/30/14	<u>166,052</u>
Total aging cluster				705,760
Title VII Elder Abuse	93.041	PON2 725 1300002015 2	07/01/13-06/30/14	2,532
Title VII Ombudsman	93.042	PON2 725 1300002015 2	07/01/13-06/30/14	4,443
Title III D Preventative Health	93.043	PON2 725 1300002015 2	07/01/13-06/30/14	11,360
ADRC-B	93.048	PON2 725 1300002036 2	07/01/13-06/30/14	2,300
Title III E Caregiver	93.052	PON2 725 1300002015 2	07/01/13-06/30/14	70,424
MIPPA AAA	93.071	PON2 725 1300002036 2	07/01/13-06/30/14	14,171
MIPPA ADRC	93.071	PON2 725 1300002036 2	07/01/13-06/30/14	6,955
FAST	93.074	PON2 725 1300002036 2	07/01/13-06/30/14	3,000
Health Benefits Exchange	93.525	PON2 725 1300002036 2	07/01/13-06/30/14	30,773
CDSME - ARRA	93.725	PON2 725 1300002036 2	07/01/13-06/30/14	3,893
CMS SHIP	93.779	PON2 725 1300002036 2	07/01/13-06/30/14	34,066
IAO	93.945	PON2 725 1300002036 2	07/01/13-06/30/14	7,000
Community Collaboration for Children	93.556	PON2 736 1200001458 1	07/01/13-06/30/14	<u>142,828</u>
Total HHS				<u>1,039,505</u>
U.S. Department of Labor (DOL)				
Passed through State (CFHS/DAIL)				
Title V SCSEP	17.235	PON2 725 1300002015 2	07/01/13-06/30/14	<u>211,945</u>
Total federal awards, as presented in the financial statements.				<u>\$ 1,422,648</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 5 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, 2014**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

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:

Unmodified 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 Cluster

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