

GREEN RIVER AREA DEVELOPMENT DISTRICT

***BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION***

Year Ended June 30, 2011

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Green River Area Development District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Green River Area Development District (GRADD), as of and for the year ended June 30, 2011, which collectively comprise GRADD's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of GRADD's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Green River Area Development District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2011, on our consideration of GRADD'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 24 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GRADD's financial statements as a whole. The combining statement of operations by program and supporting services is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying 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 financial statements. The combining statement of operations by program and supporting services, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Riney Hancock CPAs PSC

Owensboro, Kentucky
November 4, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Green River Area Development District's (GRADD) report presents our discussion and analysis of GRADD's financial performance during the fiscal year that ended June 30, 2011. Please read it in conjunction with GRADD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The beginning net assets (restated) for GRADD were \$3,943,886. The ending net assets for GRADD were \$4,973,969. GRADD's total net assets increased by 26.1% from this period last year.
- During the year, GRADD's local expenses were \$93,710 more than the grant revenue received in the current fiscal year. This is higher than last year, when expenses exceeded grant revenues by \$29,239.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—(A) management's discussion and analysis (this section), (B) the basic financial statements, (C) required supplementary information, and (D) an optional section that presents a combining statement of operations by program and supporting services. The basic financial statements include two kinds of statements that present different views of GRADD:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about GRADD's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of GRADD, reporting GRADD's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide statements report information about GRADD as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received and paid.

The two government-wide statements report GRADD's net assets and how they have changed. Net assets—the difference between GRADD's assets and liabilities—is one way to measure GRADD's financial health, or position.

Fund Financial Statements

The fund financial statements provide more detailed information about GRADD's most significant funds—not GRADD as a whole. Funds are accounting devices that GRADD uses to keep track of specific sources of funding and spending for particular purposes.

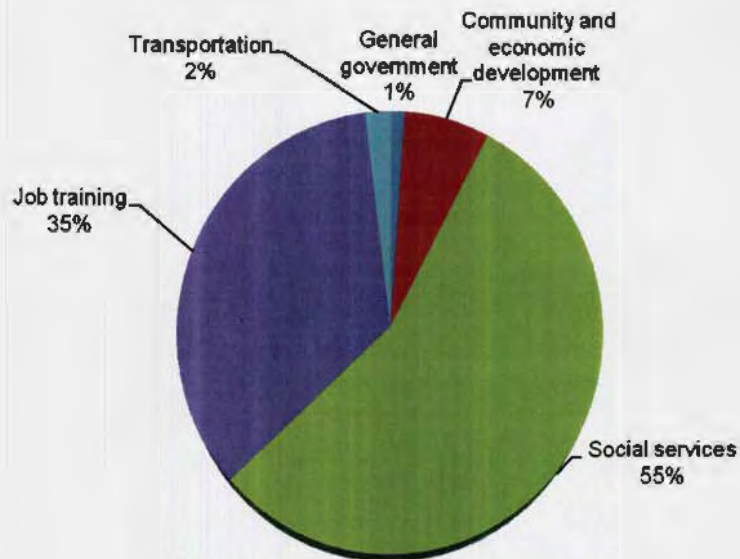
GRADD has two governmental funds:

- General Fund—This fund focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balance left at year-end that is available for spending. Consequently, the general fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance GRADD's programs.
- Special Revenue Fund—Includes all grant programs and services operated by GRADD that are restricted for a specific purpose.

FINANCIAL ANALYSIS OF GRADD AS A WHOLE

GRADD's total revenues increased by 10% to \$15 million. Virtually 90% of GRADD's revenue comes from federal and state grant sources. The other 10% comes from various local government sources.

GRADD's expenses cover a range of services. The following pie chart outlines the percentages expended by activity, with 90% related to job training and social services activities.



Government Wide Financial Analysis

	<u>Governmental Activities</u>	
	<u>2011</u>	Restated <u>2010</u>
Assets		
Current and other assets	6,269,058	4,769,050
Capital assets	<u>1,197,438</u>	<u>1,247,293</u>
Total assets	<u>7,466,496</u>	<u>6,016,343</u>
Liabilities		
Long-term liabilities	941,088	962,417
Other liabilities	<u>1,551,439</u>	<u>1,110,040</u>
Total liabilities	<u>2,492,527</u>	<u>2,072,457</u>
Net Assets		
Invested in capital assets, net of related debt	361,438	399,293
Restricted	1,981,153	1,165,466
Unrestricted	<u>2,631,378</u>	<u>2,379,127</u>
Total net assets	<u>\$4,973,969</u>	<u>\$3,943,886</u>

A portion of GRADD's net assets (47%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned net assets (\$2,631,378) may be used to meet the government's ongoing obligations.

At the end of the current fiscal year, GRADD is able to report a positive balance in net assets. The same situation held true for the prior fiscal year.

The government's net assets increased by \$1,030,083 during the current fiscal year.

FINANCIAL ANALYSIS OF GRADD'S FUNDS

As GRADD completed the year, its governmental funds reported a combined fund balance of \$2,753,757 an increase of \$245,845 from last year.

General Fund Budgetary Highlights

Over the course of the year, the GRADD Board of Directors revised the budget one time. The initial budget prepared in May 2010 included anticipated revenue from the various state and federal programs that GRADD administers annually. This budget amendment was required to reflect the actual beginning account balances and supplemental appropriations approved shortly after the beginning of the year. Intergovernmental revenues and social services expenditures increased due to the continued growth of the consumer directed options Medicaid program in social services. Job training expenditures decreased as GRADD completed the expenditures of ARRA stimulus funds received in prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2011, GRADD had invested \$145,335 in capital assets, including, building improvements, an automobile, office furniture and several computers. Overall, net capital assets decreased (including additions and deductions) \$49,855 from last year. More detailed information about GRADD's capital assets is presented in Note 5 to the financial statements.

Long-term Debt

At year-end GRADD had \$836,000 in outstanding debt—a decrease of 1.4% over last year. More detailed information about GRADD's long-term liabilities is presented in Note 7 to the financial statements.

NEXT YEAR'S BUDGET

GRADD's original FY 2012 budget is based on actual information received from the state and local government contracts as of June 2011. This budget will be revised in December to reflect actual carryover balances and appropriations received from the state since that date.

GREEN RIVER AREA DEVELOPMENT DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS

Current assets:	
Cash and cash equivalents	\$ 2,414,334
Accounts receivable - grants	1,815,889
Accounts receivable - other	5,206
Prepays	16,321
Due from related party	<u>36,155</u>
Total current assets	<u>4,287,905</u>
Capital assets, net of depreciation	<u>1,197,438</u>
Restricted assets - Revolving Loan Fund:	
Cash	587,579
Loans, net of allowance for loan losses	1,781,415
Interest payable	(3,386)
Deferred revenue	(1,839)
Loan payable	<u>(433,740)</u>
	<u>1,930,029</u>
Restricted assets - Rural Development:	
Cash	<u>51,124</u>
Total assets	\$ <u>7,466,496</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable - trade and contracts	\$ 451,137
Accrued liabilities	220,126
Compensated absences, current	4,791
Current maturities of long-term debt	12,500
Interest payable	20,377
Deferred revenue	842,508
Total current liabilities	<u>1,551,439</u>
Noncurrent liabilities:	
Compensated absences	117,588
Long-term debt, less current maturities	<u>823,500</u>
Total noncurrent liabilities	<u>941,088</u>
Total liabilities	<u>2,492,527</u>
Net assets:	
Invested in capital assets, net of related debt:	
Local	240,252
Grants	121,186
Restricted for:	
Revolving Loan Fund	1,930,029
Rural Development	51,124
Unrestricted	<u>2,631,378</u>
Total net assets	<u>4,973,969</u>
Total liabilities and net assets	\$ <u>7,466,496</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Total
			Charges for Services	Operating Grants and Contributions	
Governmental activities:					
General government	\$ 1,191,819	\$ (1,054,308)	\$ -	\$ 22,503	\$ (115,008)
Community and economic development	698,470	212,549	-	840,631	(70,388)
Revolving loan funds	15,475	4,365	125	829,005	809,290
Social services	7,207,793	528,560	-	7,895,953	159,600
Job training	4,634,306	239,482	-	4,882,408	8,620
Transportation	213,309	69,352	-	274,687	(7,974)
Interest on long-term debt	41,048	-	-	-	(41,048)
Total district	\$ 14,002,220	\$ -	\$ 125	\$ 14,745,187	743,092
General Revenues:					
					207,834
					26,494
					52,663
					<u>286,991</u>
					1,030,083
					<u>3,943,886</u>
					<u>\$ 4,973,969</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011

	<u>General</u> <u>Fund</u>	<u>Special Revenue</u> <u>Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,779,817	\$ 634,517	\$ 2,414,334
Accounts receivable - grants	-	1,815,889	1,815,889
Accounts receivable - other	-	5,206	5,206
Prepays	-	16,321	16,321
Due from related party	-	36,155	36,155
Total assets	\$ 1,779,817	\$ 2,508,088	\$ 4,287,905
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable - trade and contracts	\$ -	\$ 451,137	\$ 451,137
Accrued liabilities	-	220,126	220,126
Interest payable	20,377	-	20,377
Deferred revenue	3,134	839,374	842,508
Total liabilities	23,511	1,510,637	1,534,148
Fund balances:			
Restricted	-	997,451	997,451
Unassigned	1,756,306	-	1,756,306
Total fund balances	1,756,306	997,451	2,753,757
Total liabilities and fund balances	\$ 1,779,817	\$ 2,508,088	\$ 4,287,905

See Notes to Financial Statements

GREEN RIVER AREA DEVELOPMENT DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Total fund balances - governmental funds		\$	2,753,757
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:			
Cost	\$	2,917,115	
Accumulated depreciation		<u>(1,719,677)</u>	1,197,438
Long-term restricted assets are not available to pay for current period expenditures:			
Revolving Loan Fund	\$	1,930,029	
Rural Development		<u>51,124</u>	1,981,153
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds:			
Long-term debt	\$	(836,000)	
Compensated absences		<u>(122,379)</u>	<u>(958,379)</u>
Net assets of governmental activities		\$	<u><u>4,973,969</u></u>

GREEN RIVER AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Grants	\$ -	\$ 13,893,687	\$ 13,893,687
Local	207,834	-	207,834
Other	48,772	-	48,772
	256,606	13,893,687	14,150,293
Expenditures:			
Current:			
General government	118,267	-	118,267
Community and economic development	-	882,323	882,323
Social services	-	7,659,427	7,659,427
Job training	-	4,819,851	4,819,851
Transportation	-	272,680	272,680
Capital outlay	92,672	-	92,672
Debt service:			
Principal	12,000	-	12,000
Interest	41,048	-	41,048
	263,987	13,634,281	13,898,268
Excess (deficiency) of revenues over expenditures	(7,381)	259,406	252,025
Other financing sources (uses):			
Transfer to restricted assets	(6,180)	-	(6,180)
Transfer to general fund	171,017	(171,017)	-
	164,837	(171,017)	(6,180)
Net change in fund balances	157,456	88,389	245,845
Fund balances - beginning, as restated	1,598,850	909,062	2,507,912
Fund balances - ending	\$ 1,756,306	\$ 997,451	\$ 2,753,757

See Notes to Financial Statements

GREEN RIVER AREA DEVELOPMENT DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$	245,845
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlays	\$	92,672
Equipment acquired with grant funds		52,663
Depreciation expense		<u>(195,190)</u>
		(49,855)
Governmental funds report the disposal of capital assests to the extent proceeds are received. However, the statement of activities reports the gain or loss.		
The net increase in long-term restricted net assets does not provide current financial resources, and thus is not reported in the governmental funds.		
Revolving Loan Fund	\$	809,283
Rural Development		<u>6,404</u>
		815,687
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds.		
Debt principal payments		12,000
Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds:		
Change in compensated absences liability		<u>6,406</u>
Change in net assets of governmental activities	\$	<u><u>1,030,083</u></u>

See Notes to Financial Statements

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

1. Reporting Entity

The Financial Reporting Entity

The Green River Area Development District (GRADD), a political subdivision of the Commonwealth of Kentucky, is composed of the counties of Daviess, Hancock, Henderson, McLean, Ohio, Union, and Webster, as set forth in Kentucky Revised Statute 147A. At least fifty-one percent of GRADD's Board of Directors consists of elected officials of the seven counties with no more than forty-nine percent being citizen members who are residents of the counties, appointed by the county judge/executives and mayors. As required by the basis of accounting described below, these combined financial statements represent GRADD and its blended component units. The blended component units discussed below are included in GRADD's reporting entity because they are financially accountable to GRADD.

- (1) Green River Economic Development Corporation: This corporation was formed to promote economic development; establish a framework for joint federal, state, and local efforts toward providing the basic facilities essential for the growth of the seven-county area comprising GRADD; and to assist in the growth and development of small business concerns pursuant to Section 503 of the Development Company Program of the Small Business Investment Act of 1985, as amended.
- (2) Other corporations: Green River Development Council, Inc. and Green River Emergency Medical Services, Inc., are inactive and, therefore, did not have any financial activity during the year ended June 30, 2011.

2. Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about GRADD as a whole. All of GRADD's activities are governmental and thus the statements reflect no business-type activities.

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

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

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

Fund Financial Statements – Fund financial statements report detailed information about GRADD. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. GRADD has neither nonmajor funds nor fiduciary funds.

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

GRADD has the following governmental funds:

The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of GRADD.

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

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

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

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

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the costs have been incurred and eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, GRADD's policy is to first apply restricted resources.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

2. Summary of Significant Accounting Policies, Continued

Budgetary Principles

A budget is prepared for each fiscal year and is approved by the Board of Directors.

Cash Equivalents

For purposes of financial statement presentation, GRADD considers all cash on hand, demand deposits, and certificates of deposit to be cash equivalents.

Recognition of Revenue

Grant revenue is recognized to the extent that expenditures are incurred in the manner specified by the grants and matching requirements are met.

Allowance for Loan Losses

The allowance for loan losses for the Revolving Loan Fund is maintained at a level, considered by management, to be adequate to provide for loan losses inherent in the loan portfolio. Management determines the adequacy of the allowance based upon a review of individual debtor credit, recent loss experience and current economic conditions. The allowance is increased by the provision for loan losses and reduced by net charge-offs.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by GRADD as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of GRADD are depreciated principally using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 years
Building and improvements	10-40 years
Vehicles and equipment	5-10 years
Equipment – grants	5-10 years

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

2. Summary of Significant Accounting Policies, Continued

Cost Allocation

Direct and shared costs allocations are based upon a written cost allocation plan which meets the requirements of the Office of Management and Budget Circular No. A-87, *Cost Principles for State and Local Governments*, and is approved by the Kentucky Governor's Office for Local Development.

Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance Classification

In fiscal year 2011, GRADD implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The fund balance of the Special Revenue Fund is restricted for program services.
- Committed fund balance—amounts constrained to specific purposes by GRADD itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless GRADD takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts GRADD intends to use for a specific purpose. Intent can be expressed by GRADD or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

2. Summary of Significant Accounting Policies, Continued

Fund Balance Classification, Continued

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established the by Board of Directors through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

GRADD would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Transfers

Transfers are used to reimburse the General Fund for costs incurred to support Special Revenue Fund activity, and to reclassify as Unassigned in the General Fund equity which has been released from restriction due to satisfaction of program requirements.

3. Cash and Cash Equivalents

The Kentucky Revised Statutes authorize GRADD to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security, obligations as permitted by KRS 41.240 (4) having a current quoted market value at least equal to uninsured deposits.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, GRADD's deposits may not be returned to it. GRADD does not have a written deposit policy for custodial credit risk. As of June 30, 2011, \$2,667,522 of GRADD's bank balance of \$3,518,761 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging bank's trust department or agent in GRADD's name		<u>2,667,522</u>
Total	\$	<u>2,667,522</u>

Cash equivalents include certificates of deposit totaling \$624,404. The certificates bear interest at rates ranging from .75% to 3.15% and have maturities of twelve to sixty months.

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

4. Due from Related Party

Various members of GRADD's Board of Directors also serve on the board of the Green River Housing Corporation (GRHC); however, GRHC is not a part of the GRADD financial reporting entity because it is not financially accountable to GRADD. At June 30, 2011, due from related party of \$36,155 appears on the statement of net assets for costs incurred by GRADD for administration of GRHC grant programs.

5. Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2010		Additions		Deletions	Balance June 30, 2011
Land	\$ 83,200	\$	-	\$	-	\$ 83,200
Land improvements	8,506		-		-	8,506
Building and improvements	1,679,455		5,685		-	1,685,140
Vehicles and equipment	479,615		86,987		(44,476)	522,126
Equipment – grants	582,424		52,663		(16,943)	618,144
Totals at cost	<u>2,833,200</u>		<u>145,335</u>		<u>(61,419)</u>	<u>2,917,116</u>
Less accumulated depreciation:						
Land improvements	(5,690)		(352)		-	(6,042)
Building and improvements	(758,023)		(52,479)		-	(810,502)
Vehicles and equipment	(376,803)		(73,848)		44,476	(406,175)
Equipment - grants	(445,391)		(68,511)		16,943	(496,959)
Total accumulated depreciation	<u>(1,585,907)</u>		<u>(195,190)</u>		<u>61,419</u>	<u>(1,719,678)</u>
Net capital assets	\$ <u>1,247,293</u>	\$	<u>(49,855)</u>	\$	<u>-</u>	\$ <u>1,197,438</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 20,268
Community and economic development	29,722
Social services	79,617
Job training	55,282
Transportation	<u>10,301</u>
Total depreciation expense	<u>\$ 195,190</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

6. Revolving Loan Funds

The Revolving Loan Fund (RLF) was established in 1979 with a \$750,000 Special Economic Development and Assistance grant from the Economic Development Administration (EDA). Loan applications are reviewed by the Green River Economic Development Corporation to ensure that funds will be used for purposes acceptable to the grantor. Due to the credit risk of borrowers (primarily commercial and industrial) under this program, loans are in various stages of collection and collectability is not certain for every borrower.

The Infrastructure Revolving Loan Fund (IRLF) was established during fiscal year 2000 with an additional \$360,000 grant from the EDA. These funds are loaned to local governments and agencies to develop infrastructure needed to attract economic development. Loan applications are reviewed by the GRADD executive committee to ensure compliance with program guidelines.

In fiscal year 2010, the RLF and IRLF funds were consolidated by the Economic Development Administration. Loan applications are reviewed by the Green River Economic Development Corporation to ensure that funds will be used for purposes acceptable to the grantor.

The Revolving Loan Recapitalization Fund (RECAP) was established during fiscal year 2002. Funds were contributed by local lenders totaling \$75,666. In fiscal year 2009, these funds were used as match to receive an additional \$1,924,334 from EDA to recapitalize the RLF program.

The Intermediary Relending Program (IRP) was established during fiscal year 2004. It is a loan agreement with the U.S. Department of Agriculture (USDA), Rural Business Cooperative Service (RBS), under which GRADD may borrow up to \$500,000 to establish a relending program in accordance with the RBS work plan.

IRP activity for the year was as follows:

Outstanding borrowings, June 30, 2010	\$ 450,461
Repayments	<u>(16,721)</u>
Outstanding borrowings, June 30, 2011	\$ <u>433,740</u>

The loan is to be repaid over a thirty (30) year period with principal being deferred for the first three (3) years. During the deferment period, interest payments are due on the unpaid principal balance at a rate of one (1) percent. Thereafter, principal and interest will be paid annually beginning on September 18, 2007, to maturity. Interest expense totaled \$4,504 for the year ended June 30, 2011.

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

6. Revolving Loan Funds, Continued

The revolving loans receivable at June 30, 2011, are summarized as follows:

	<u>RLF</u>	<u>RECAP</u>	<u>IRP</u>	<u>Total</u>
Loans	\$ 794,492	\$ 811,575	\$ 175,348	\$ 1,781,415
Allowance for loan losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 794,492</u>	<u>\$ 811,575</u>	<u>\$ 175,348</u>	<u>\$ 1,781,415</u>

No loans have been extended to related parties. Loans approved but not yet disbursed at June 30, 2011, totaled \$224,816.

There is no allowance for loan loss as of June 30, 2011. Any provision is recorded as other direct expense in the combining statement of operations by program and supporting services. In management's opinion, all known and anticipated loan losses have been either written off or adequately provided for in the allowance for loan losses.

Income for the revolving loan funds for the year ended June 30, 2011, was as follows:

	<u>RLF</u>	<u>RECAP</u>	<u>IRP</u>	<u>Total</u>
Interest earned on:				
Outstanding loans	\$ 14,224	\$ 2,603	\$ 5,782	\$ 22,609
Cash accounts	1,943	1,151	2,812	5,906
Loan application, processing, and late fees	<u>625</u>	<u>1,750</u>	<u>-</u>	<u>2,375</u>
	<u>\$ 16,792</u>	<u>\$ 5,504</u>	<u>\$ 8,594</u>	<u>\$ 30,890</u>

Income on the IRP has been used to pay interest expense on the loan payable. Income in excess of such interest expense has been deferred to pay future interest on the IRP loan.

7. Long-Term Liabilities

Long-term liability activity for the year was as follows:

	Balance June 30, 2010	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2011	Due Within <u>One Year</u>
Compensated absences	\$ 128,785	\$ 2,775	\$ (9,181)	\$ 122,379	\$ 4,791
Note payable	<u>848,000</u>	<u>-</u>	<u>(12,000)</u>	<u>836,000</u>	<u>12,500</u>
	<u>\$ 976,785</u>	<u>\$ 2,775</u>	<u>\$ (21,181)</u>	<u>\$ 958,379</u>	<u>\$ 17,291</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

7. Long-Term Liabilities, Continued

Long-Term Debt

GRADD's long-term debt consists of a note payable dated October 28, 2002, to the U.S. Department of Agriculture, Office of Rural Development, due in varying annual installments through January 2041, with semi-annual interest payments at 4.875%. The debt is secured by a pledge of future revenues and a first mortgage lien on the GRADD building.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 12,500	\$ 40,450	\$ 52,950
2013	13,500	39,817	53,317
2014	14,000	39,146	53,146
2015	15,000	38,439	53,439
2016	15,500	37,696	53,196
2017-2021	90,500	176,000	266,500
2022-2026	117,000	150,833	267,833
2027-2031	151,500	118,280	269,780
2032-2036	195,000	76,294	271,294
2037-2041	211,500	22,998	234,498
	<u>\$ 836,000</u>	<u>\$ 739,953</u>	<u>\$ 1,575,953</u>

Interest expense totaled \$41,081 for the year ended June 30, 2011.

Compensated Absences

It is GRADD's policy to permit employees to accumulate earned but unused vacation benefits. Upon leaving employment at GRADD, employees receive an amount equal to the value of up to a maximum of 225 unused accumulated vacation hours based on current salary rates.

The compensated absences liability represents the value of unused vacation time earned by employees up to a maximum of 225 hours.

8. Funded Depreciation Reserve

The loan agreement with the U.S. Department of Agriculture, Office of Rural Development, requires GRADD to deposit \$515 per month into a "funded depreciation reserve account" until the

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

8. Funded Depreciation Reserve, Continued

account reaches \$61,800. The deposits are to be resumed any time the account falls below the \$61,800. For the year ended June 30, 2011, the required deposits totaling \$6,180 were made into the depreciation reserve, which is reported as a restricted asset on the statement of net assets. The depreciation reserve totaled \$51,124 as of June 30, 2011.

9. Defined Benefit Retirement Plan

Plan Description: GRADD employees participate in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems. CERS provides retirement, disability, and death benefits to plan members and, under certain circumstances, to beneficiaries. Kentucky Revised Statute section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (502) 564-4646.

Funding Policy: Plan members participating in CERS on or before August 31, 2008, are required to contribute 5% of their annual creditable compensation. For plan members who began participating in CERS on or after September 1, 2008, this contribution rate is 6%. GRADD is required to contribute at an actuarially determined rate. The current rate is 16.93% of each employee's creditable compensation. The contribution requirements of plan members and GRADD are established and may be amended by the Board of Trustees of Kentucky Retirement Systems. GRADD's contributions to the CERS for the years ending June 30, 2011, 2010, and 2009 were \$440,342, \$400,170, and \$284,619, respectively, which equaled the required contributions for each year.

10. Risk Management

GRADD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. GRADD participates in the Kentucky Association of Counties All Lines Fund (KALF), a public entity risk pool currently operating as a common risk management and insurance program for the Counties of Kentucky and their sub agencies. GRADD pays an annual premium to KALF for insurance coverage for certain risks of loss, including workers' compensation and general liability. The Coverage Agreement provides that KALF will be self-sustaining through member contributions, premiums and assessments and will reinsure through commercial companies for claims in excess of \$250,000 for each insured event.

GREEN RIVER AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

11. Income Tax Status

GRADD is exempt from federal and state income taxes by virtue of being a unit of local government under Regulation 103 KAR 30:225E and, accordingly, the financial statements include no provision for such taxes.

12. Concentration of Risk

During the year ended June 30, 2011, GRADD received approximately 98% of its revenue from federal, state, and local grants, and the related in-kind match and program income. These funds are to be used for designated purposes only. For government agency grants, if, based upon the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse GRADD for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of GRADD's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

13. Prior Period Adjustment

During the year, it was determined that certain prior year revenues totaling \$451,517 were incorrectly recorded as deferred revenue instead of being recognized as revenue. To correct this error, the beginning fund balance of the governmental funds of \$2,056,395, as originally reported, has been increased to \$2,507,912. In addition, beginning net assets for governmental activities of \$3,492,369, as originally reported, have been increased to \$3,943,886.

GREEN RIVER AREA DEVELOPMENT DISTRICT

**BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS**

Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental revenues	\$ 13,444,809	\$ 13,492,967	\$ 14,722,471
Local	207,406	207,406	207,834
Interest	25,000	25,000	26,707
Other	20,000	20,000	22,628
Total revenues	<u>13,697,215</u>	<u>13,745,373</u>	<u>14,979,640</u>
EXPENDITURES			
General government	170,217	105,302	144,079
Community and economic development	844,447	851,663	917,587
Revolving loan funds	25,000	25,000	19,840
Social services	7,346,753	7,424,447	7,753,593
Job training	5,033,689	5,041,689	4,882,408
Transportation	277,109	297,272	284,713
Total expenditures	<u>13,697,215</u>	<u>13,745,373</u>	<u>14,002,220</u>
Excess of revenues over expenditures	-	-	977,420
Other financing sources (uses):			
Equipment acquired with grant funds, net	-	-	<u>52,663</u>
Change in net assets	-	-	1,030,083
Net assets, beginning of year, as restated	<u>3,235,478</u>	<u>3,235,478</u>	<u>3,943,886</u>
Net assets, end of year	<u>\$ 3,235,478</u>	<u>\$ 3,235,478</u>	<u>\$ 4,973,969</u>

Note A: The GRADD budget is prepared on the accrual basis of accounting for the General Fund and the Special Revenue Fund combined, as approved by the Board of Directors.

Note B: GRADD budgets interest as a functional expense.

GREEN RIVER AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2011

	Program Services										
	CDBG Administration	EDA Administration	KIA Water Resource Planning	Industrial Authority Admin	CED Admin	RWRA Waterline SPAP	Delta Regional Authority	USDA Hartford Stimulus	Owensboro Storm Water Plan	Union County DRA	Hazard Mitigation
Revenues:											
Federal	\$ 66,034.71	\$ 65,104.19	\$ -	\$ -	\$ -	\$ -	\$ 8,000.00	\$ 7,642.17	\$ -	\$ -	\$ 32,265.61
State	-	-	84,000.00	-	-	-	-	-	-	-	-
Local	-	-	-	10,000.00	6,270.44	7,762.28	-	-	6,000.00	5,495.00	-
In-kind match	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-
Member dues	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Local applied to grants	184.57	-	5,429.02	132.96	-	-	43.12	473.57	363.25	84.75	14,724.25
Total revenues	66,219.28	65,104.19	89,429.02	10,132.96	6,270.44	7,762.28	8,043.12	8,115.74	6,363.25	5,579.75	46,989.86
Expenditures:											
Direct costs:											
Personnel	25,282.74	25,616.86	29,274.62	4,498.84	-	3,470.52	3,747.00	3,569.61	2,722.11	2,407.02	21,360.77
Employee benefits	17,573.03	17,027.32	22,809.82	2,528.80	-	2,899.12	2,532.18	2,121.18	2,009.29	1,339.62	7,714.29
Professional services	-	-	-	-	-	-	-	-	-	-	-
Travel	1,150.14	1,836.58	3,644.05	181.69	-	4.70	34.39	112.23	1.28	44.44	49.28
Occupancy	-	627.00	-	-	-	-	-	-	-	-	-
Supplies	529.92	596.43	4,890.76	10.25	242.44	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-
Other	925.01	415.93	643.87	-	-	215.44	-	-	-	-	1,194.35
Capital equipment	-	6,954.61	2,845.22	-	6,028.00	-	-	-	-	-	-
Program services	-	-	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	-	-	-	-	-
In-kind match	-	-	-	-	-	-	-	-	-	-	-
Total direct costs	45,460.84	53,074.73	64,108.34	7,219.58	6,270.44	6,589.78	6,313.57	5,803.02	4,732.68	3,791.08	30,318.69
Shared costs:											
Shared costs applied	20,758.44	12,029.46	25,320.68	2,913.38	-	1,172.50	1,729.55	2,312.72	1,630.57	1,788.67	16,671.17
Total expenditures	66,219.28	65,104.19	89,429.02	10,132.96	6,270.44	7,762.28	8,043.12	8,115.74	6,363.25	5,579.75	46,989.86
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GREEN RIVER AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2011

	Program Services									
	McLean/Daviess Energy Grants	GRADD Energy Grant	Webster Co 911	Local GIS/GPS	City of Sebree GPS	City of Owensboro Recycling Survey	Hawesville Levee	Slaughters GPS	Livermore Library Project	KIA Stimulus Projects
Revenues:										
Federal	\$ 6,980.00	\$ 41,769.18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,075.99
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	2,000.00	5,047.93	2,846.74	2,500.00	6,500.00	4,653.26	6,568.98	-
In-kind match	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Member dues	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Local applied to grants	55.38	301.58	199.40	-	85.07	38.08	5.32	-	-	230.58
Total revenues	7,035.38	42,070.76	2,199.40	5,047.93	2,931.81	2,538.08	6,505.32	4,653.26	6,568.98	1,306.57
Expenditures:										
Direct costs:										
Personnel	3,328.66	1,673.31	874.28	1,786.26	1,075.33	1,271.17	3,752.61	2,132.76	2,854.28	629.32
Employee benefits	1,819.39	1,358.89	670.36	1,432.67	669.88	1,189.93	1,661.95	1,655.69	2,269.94	302.19
Professional services	-	-	-	-	-	-	-	-	-	-
Travel	186.09	8.17	-	21.81	463.42	-	84.99	259.25	159.10	-
Occupancy	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	275.76	-	-	-
Capital equipment	-	-	-	-	-	-	-	-	-	-
Program services	-	1,139.18	-	-	-	-	-	-	-	-
Contractual services	-	37,030.00	-	-	-	-	-	-	-	-
In-kind match	-	-	-	-	-	-	-	-	-	-
Total direct costs	5,334.14	41,209.55	1,544.64	3,240.74	2,208.63	2,461.10	5,775.31	4,047.70	5,283.32	931.51
Shared costs:										
Shared costs applied	1,701.24	861.21	654.76	1,807.19	723.18	76.98	730.01	605.56	1,285.66	375.06
Total expenditures	7,035.38	42,070.76	2,199.40	5,047.93	2,931.81	2,538.08	6,505.32	4,653.26	6,568.98	1,306.57
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GREEN RIVER AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2011

	Program Services									
	KIA Coal Severance	DOT/KSP Mapping	Connect GRADD	Green River Beef Improvement	JFA	EDA Revolving Loan Funds	Intermediary Relending Program	Title III	Homecare	Adult Day
Revenues:										
Federal	\$ -	\$ 12,078.59	\$ -	\$ -	\$ 83,101.00	\$ 798,240.00	\$ -	\$ 870,858.00	\$ -	\$ -
State	190,553.65	-	-	4,756.25	152,149.00	-	-	185,558.00	994,328.00	112,585.00
Local	-	-	8,723.23	-	-	22,170.29	8,594.28	302,475.00	99,942.00	1,296.00
In-kind match	-	-	-	-	-	-	-	37,828.08	-	-
Program income	-	-	-	-	-	-	-	119,994.88	33,054.96	605.00
Member dues	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	125.00	-	-	-	-
Local applied to grants	24,059.97	-	-	-	28,237.66	-	-	552.03	6,962.97	(0.48)
Total revenues	214,613.62	12,078.59	8,723.23	4,756.25	263,487.66	820,535.29	8,594.28	1,517,265.99	1,134,287.93	114,485.52
Expenditures:										
Direct costs:										
Personnel	90,656.90	5,758.27	4,282.89	2,287.24	108,284.62	4,982.45	1,156.89	160,010.77	178,882.75	16,195.63
Employee benefits	67,569.65	4,630.27	2,533.69	1,228.53	71,032.30	2,859.42	574.20	110,125.82	125,774.43	11,166.62
Professional services	-	-	-	-	-	77.00	-	-	-	-
Travel	3,146.85	502.36	520.76	-	13,178.67	164.66	-	15,077.82	13,759.95	640.17
Occupancy	-	-	-	-	-	-	4,325.06	572.00	-	-
Supplies	709.52	4.23	-	-	504.19	687.15	148.50	13,811.50	3,504.71	-
Communications	-	-	-	-	-	57.73	-	-	280.33	-
Depreciation Expense	-	-	-	-	-	-	-	-	-	-
Other	49.82	-	15.00	-	4,770.89	442.10	-	13,184.56	3,893.19	-
Capital equipment	4,589.34	-	-	-	-	-	-	1,577.48	9,410.14	1,577.48
Program services	-	-	61.25	-	-	-	-	6,707.86	-	-
Contractual services	-	-	-	-	-	-	-	1,071,455.07	684,910.46	76,543.00
In-kind match	-	-	-	-	-	-	-	34,527.08	-	-
Total direct costs	166,722.08	10,895.13	7,413.59	3,515.77	197,770.67	9,270.51	6,204.65	1,427,049.96	1,020,415.96	106,122.90
Shared costs:										
Shared costs applied	47,891.54	1,183.46	1,309.64	1,240.48	65,716.99	4,108.13	256.57	90,216.03	113,871.97	8,362.62
Total expenditures	214,613.62	12,078.59	8,723.23	4,756.25	263,487.66	13,378.64	6,461.22	1,517,265.99	1,134,287.93	114,485.52
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 807,156.65	\$ 2,133.06	\$ -	\$ -	\$ -

GREEN RIVER AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2011

	Program Services									
	Personal Care Attendant	Consumer Directed Options	HCFA Benefits Counseling	USDA	State LTC Ombudsman	Ky Family Caregiver	MIPPA	ADRC Hospital Discharge	Section Q	NCOA One Away
Revenues:										
Federal	\$ -	\$ 140,527.66	\$ 35,132.00	\$ 168,252.00	\$ -	\$ -	\$ 44,812.00	\$ 53,731.00	\$ 10,441.00	\$ -
State	344,911.00	2,913,368.16	-	-	41,797.00	104,883.00	-	-	-	-
Local	-	25,443.00	-	-	-	-	-	-	-	4,284.38
In-kind match	-	-	-	-	-	-	-	3,882.00	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Member dues	-	-	-	-	-	-	-	-	-	-
Interest	-	212.46	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Local applied to grants	85.23	-	-	-	-	10.83	407.92	0.36	15.88	-
Total revenues	344,996.23	3,079,551.28	35,132.00	168,252.00	41,797.00	104,893.83	45,219.92	57,613.36	10,456.88	4,284.38
Expenditures:										
Direct costs:										
Personnel	8,894.92	331,536.55	14,039.25	-	14,266.06	23,017.93	24,658.53	20,348.48	5,308.96	1,063.16
Employee benefits	5,225.38	207,347.92	8,574.31	-	9,419.99	13,977.66	10,105.26	13,609.43	3,194.34	722.26
Professional services	-	-	-	-	-	-	-	-	-	-
Travel	2.64	33,591.68	847.13	-	1,231.90	1,330.49	810.34	1,149.76	15.61	2,439.33
Occupancy	-	-	-	-	-	-	-	-	-	-
Supplies	-	9,047.85	-	-	907.58	-	408.54	-	-	-
Communications	-	601.00	-	-	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-	-	-	-
Other	-	29,722.66	-	-	4,527.16	29.00	-	-	-	-
Capital equipment	-	5,584.25	2,711.00	-	3,015.07	1,356.00	1,355.00	-	-	-
Program services	-	2,046,353.08	758.24	-	1,222.94	-	-	1,400.86	-	-
Contractual services	326,498.00	73,366.57	-	168,252.00	-	49,835.38	-	1,867.20	-	-
In-kind match	-	-	-	-	-	-	-	3,882.00	-	-
Total direct costs	340,620.94	2,737,151.56	26,929.93	168,252.00	34,590.70	89,546.46	37,337.67	42,257.73	8,518.91	4,224.75
Shared costs:										
Shared costs applied	4,375.29	191,071.53	8,202.07	-	7,206.30	15,347.37	7,882.25	15,355.63	1,937.97	59.63
Total expenditures	344,996.23	2,928,223.09	35,132.00	168,252.00	41,797.00	104,893.83	45,219.92	57,613.36	10,456.88	4,284.38
Revenues over expenditures	\$ -	\$ 151,328.19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GREEN RIVER AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2011

	Program Services							
	Misc Aging Programs	NCOA Benefits Outreach	Clean Air Summit	Rural Health Grant	Comm Collaboration for Children	CCC Parent Involvement	AmeriCorps Senior Conn 10	AmeriCorps Senior Conn 11
Revenues:								
Federal	\$ -	\$ 23,411.09	\$ -	\$ 178,596.72	\$ 175,050.00	\$ 1,995.00	\$ 36,110.00	\$ 310,800.00
State	2,506.20	-	-	-	-	-	-	-
Local	5,010.49	-	4,787.12	10,258.78	7,676.00	-	22,514.51	111,693.72
In-kind match	-	-	-	-	51,005.28	-	25,567.00	-
Program income	-	-	-	-	-	-	-	-
Member dues	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Local applied to grants	-	-	-	-	450.87	-	-	-
Total revenues	7,516.69	23,411.09	4,787.12	188,855.50	234,182.15	1,995.00	84,191.51	422,493.72
Expenditures:								
Direct costs:								
Personnel	-	7,657.05	-	50,591.01	11,786.00	-	5,853.78	30,702.61
Employee benefits	-	2,303.58	-	14,864.87	7,277.71	-	3,935.48	26,038.22
Professional services	-	-	-	-	-	-	-	-
Travel	-	990.86	-	5,840.94	812.39	-	556.80	3,616.89
Occupancy	-	-	-	-	-	-	-	-
Supplies	-	60.60	-	79.70	-	-	26.04	903.52
Communications	-	44.42	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-	-
Other	-	9,512.41	-	9,386.90	-	-	292.22	1,110.00
Capital equipment	-	-	-	-	1,577.48	-	-	618.53
Program services	7,516.69	1,055.06	4,787.12	32,137.56	3,501.04	1,995.00	44,898.03	344,814.95
Contractual services	-	-	-	53,544.00	194,882.98	-	-	-
In-kind match	-	-	-	-	11,154.28	-	25,567.00	-
Total direct costs	7,516.69	21,623.98	4,787.12	166,444.98	230,991.88	1,995.00	81,129.35	407,804.72
Shared costs:								
Shared costs applied	-	1,787.11	-	22,410.52	3,190.27	-	3,062.16	14,689.00
Total expenditures	7,516.69	23,411.09	4,787.12	188,855.50	234,182.15	1,995.00	84,191.51	422,493.72
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GREEN RIVER AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2011

	Program Services									
	AmeriCorps Homeland Security 10	AmeriCorps Homeland Security 11	TANF WorkNow	NIMCAST	KHC Self Sufficiency	Citizen Corps	QTS	MPO	KYTC	FHWA
Revenues:										
Federal	\$ 83,097.00	\$ 86,667.00	\$ 224,223.77	\$ 4,000.00	\$ -	\$ 35,788.72	\$ 8,999.99	\$ -	\$ 12,566.28	\$ 81,328.00
State	-	-	-	-	140.00	-	-	-	89,927.49	5,083.00
Local	50,711.91	18,504.00	-	-	-	-	9,003.00	15,030.70	-	15,249.00
In-kind match	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Member dues	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Local applied to grants	-	-	-	134.15	68.04	348.02	-	-	10,001.92	6.67
Total revenues	133,808.91	105,171.00	224,223.77	4,134.15	208.04	36,136.74	18,002.99	15,030.70	112,495.69	101,666.67
Expenditures:										
Direct costs:										
Personnel	15,709.24	8,884.83	7,995.00	3,042.68	85.70	8,454.14	7,861.52	5,432.95	47,494.10	43,644.73
Employee benefits	13,247.17	6,187.39	825.90	575.25	62.98	2,523.26	3,317.64	2,954.07	31,882.02	25,876.76
Professional services	-	-	-	-	-	-	-	-	-	-
Travel	734.14	257.92	1,325.30	24.57	-	633.34	46.21	84.62	4,501.30	2,852.37
Occupancy	-	-	-	-	-	-	726.00	-	-	-
Supplies	380.12	56.96	-	-	-	-	12.50	753.85	254.98	1,255.78
Communications	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-	-	-	-
Other	125.62	48.74	73.13	-	-	1,105.67	208.71	604.92	814.63	2,336.79
Capital equipment	618.53	-	-	-	-	-	-	2,845.22	-	-
Program services	87,965.02	88,329.73	211,112.11	-	-	20,814.09	-	-	-	-
Contractual services	-	-	-	-	-	-	-	-	-	-
In-kind match	-	-	-	-	-	-	-	-	-	-
Total direct costs	118,779.84	103,765.57	221,331.44	3,642.50	148.68	33,530.50	12,172.58	12,675.63	84,947.03	75,966.43
Shared costs:										
Shared costs applied	15,029.07	1,405.43	2,892.33	491.65	59.36	2,606.24	5,830.41	2,355.07	27,548.66	25,700.24
Total expenditures	133,808.91	105,171.00	224,223.77	4,134.15	208.04	36,136.74	18,002.99	15,030.70	112,495.69	101,666.67
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GREEN RIVER AREA DEVELOPMENT DISTRICT

COMBINING STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2011

	Program Services				Total Program Services	General and Administrative	Unrestricted Local Operations	Total Revenues and Expenditures
	ETA	Arts and Crafts Festival	Trade	WIA				
Revenues:								
Federal	\$ 30,000.00	\$ -	\$ 1,953,411.00	\$ 2,704,773.70	\$ 8,396,863.37	\$ -	\$ -	\$ 8,396,863.37
State	-	-	-	-	5,226,545.75	-	-	5,226,545.75
Local	7,500.00	10,613.10	-	-	827,125.14	-	-	827,125.14
In-kind match	-	-	-	-	118,282.36	-	-	118,282.36
Program income	-	-	-	-	153,654.84	-	-	153,654.84
Member dues	-	-	-	-	-	-	207,834.00	207,834.00
Interest	-	-	-	-	212.46	-	26,494.36	26,706.82
Other	-	-	-	-	125.00	-	22,502.55	22,627.55
Local applied to grants	16.67	-	-	-	93,709.61	-	(93,709.61)	-
Total revenues	37,516.67	10,613.10	1,953,411.00	2,704,773.70	14,816,518.53	-	163,121.30	14,979,639.83
Expenditures:								
Direct costs:								
Personnel	17,923.58	-	62,832.02	399,171.73	1,892,082.99	383,218.20	-	2,275,301.19
Employee benefits	10,607.52	-	42,799.27	293,960.78	1,250,496.89	214,696.02	-	1,465,192.91
Professional services	-	-	-	6,900.00	6,977.00	24,632.50	10,138.50	41,748.00
Travel	420.06	27.52	4,384.26	47,638.60	171,399.82	69,315.51	-	240,715.33
Occupancy	-	-	-	14,777.05	21,027.11	115,110.22	-	136,137.33
Supplies	275.41	-	10.09	7,219.20	47,292.32	59,460.29	-	106,752.61
Communications	-	-	-	2,210.68	3,194.16	29,911.81	-	33,105.97
Depreciation Expense	-	-	-	-	-	81,210.31	113,979.44	195,189.75
Other	372.56	-	432.54	23,577.89	110,307.47	76,752.99	19,961.62	207,022.08
Capital equipment	-	-	-	75,000.00	127,663.35	-	-	127,663.35
Program services	-	6,170.16	1,809,423.47	1,514,824.49	6,236,987.93	-	-	6,236,987.93
Contractual services	-	6,654.75	-	116,433.30	2,861,272.71	-	-	2,861,272.71
In-kind match	-	-	-	-	75,130.36	-	-	75,130.36
Total direct costs	29,599.13	12,852.43	1,919,881.65	2,501,713.72	12,803,832.11	1,054,307.85	144,079.56	14,002,219.52
Shared costs:								
Shared costs applied	7,917.54	-	33,529.35	203,059.98	1,054,307.85	(1,054,307.85)	-	-
Total expenditures	37,516.67	12,852.43	1,953,411.00	2,704,773.70	13,858,139.96	-	144,079.56	14,002,219.52
Revenues over expenditures	\$ -	\$ (2,239.33)	\$ -	\$ -	\$ 958,378.57	\$ -	\$ 19,041.74	\$ 977,420.31

GREEN RIVER AREA DEVELOPMENT DISTRICT

**RECONCILIATION OF THE COMBINING STATEMENT OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES TO
THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2011

Revenues over expenditures - combining statement of operations by program and supporting services	\$ 977,420
Amounts not charged to grants:	
Net change in grant capital assets	<u>52,663</u>
Change in net assets - statement of activities	<u>\$ 1,030,083</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through Rural Utilities Service:			
ARRA Hartford Wastewater Rehab Project	10.760	N/A	\$ 7,642
Passed through Rural Business Cooperative Service:			
Intermediary Relending Program	10.767	N/A	<u>473,804 (B)</u>
Total U.S. Department of Agriculture			<u>\$ 481,446</u>
<u>U.S. Department of Commerce</u>			
Direct Program:			
Economic Adjustment Assistance			
Revolving Loan Fund	11.307	04-95-901689	\$ 1,111,807 (B)
Revolving Loan Fund - Recapitalization	11.307	04-79-06237	803,223 (B)
Economic Adjustment Assistance			
Passed through local sources:			
City of Owensboro	11.307	N/A	<u>20,104</u>
			<u>1,935,134</u>
Investments for Public Works and Economic Development Facilities			
Passed through local sources:			
Henderson City-County Airport Board	11.300	N/A	15,000
City of Henderson	11.300	N/A	<u>30,000</u>
			<u>45,000</u>
Passed through Department for Local Government:			
Economic Development - JFA	11.302	N/A	<u>63,000</u>
Total U.S. Department of Commerce			<u>\$ 2,043,134</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grants - State Program			
Passed through local sources:			
Henderson County Fiscal Court	14.228	N/A	\$ 6,550
Webster County Fiscal Court	14.228	N/A	10,000
City of Sacramento	14.228	N/A	1,000
City of Livermore	14.228	N/A	<u>48,485</u>
			66,035
Passed through Department for Local Government:			
Community Development Block Grants - State's Program-JFA			
	14.228	N/A	<u>20,101</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 86,136</u>
<u>U.S. Department of Labor</u>			
Workforce Investment Act			
WIA Cluster:			
Passed through Kentucky Education Cabinet:			
Adult	17.258		
		273AD11	\$ 195,908
		273AD10	297,818
		270AD11	74,904
		270AD10	<u>11,881</u>
			<u>580,511</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Adult, ARRA	17.258	270S9AD	<u>140,714</u>
Youth	17.259	274YT10	126,710
		274YT11	<u>366,592</u>
			<u>493,302</u>
Youth, ARRA	17.259	274S9YT	<u>60,132</u>
Dislocated Worker	17.278	272RR11	298,260
		271RR10	83,969
		271SR10	21,519
		271DW10	167,735
		272RR10	185,003
		272RR09	2,443
		272DW11	81,917
		271DW11	138,916
		272DW10	<u>56,763</u>
			<u>1,036,525</u>
Dislocated Worker, ARRA	17.278	272S9DW	<u>372,902</u>
Career Pathways	17.278	251PI09	<u>14,193</u>
Incentive	17.267	251PI09	<u>6,495</u>
Trade	17.245	205CM10	9,116
		206CM10	134,871
		205BES9	1,168,564
		205BE10	<u>640,859</u>
			<u>1,953,410</u>
Total U.S. Department of Labor			<u>\$ 4,658,184</u>
<u>U.S. Department of Transportation</u>			
Passed through Kentucky Transportation Cabinet:			
FHWA - Owensboro Transportation Planning	20.205	1000005256	\$ 81,328
Highway Inventory Data Collection	20.205	1100000087	12,566
Local Road Updates	20.205	1100000374	<u>12,079</u>
			105,973
FTA - Owensboro Transportation Planning - Section 8	20.505	G03MP03Z	30,000
Passed through City of Owensboro:			
FTA - OTS Transit Management	20.507	2010/2011	<u>9,000</u>
Total U.S. Department of Transportation			<u>\$ 144,973</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Department of Energy</u>			
Passed through Department for Local Government:			
ARRA Energy Efficiency and Renewable Energy Information	81.128	1100000791	\$ <u>48,749</u>
<u>Environmental Protection Agency</u>			
Passed through Kentucky Infrastructure Authority:			
ARRA Ohio County Wastewater	66.458	N/A	\$ <u>1,076</u>
<u>Delta Regional Authority</u>			
Direct Program:			
Delta Regional Development	90.200	N/A	\$ <u>8,000</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Kentucky Cabinet for			
Health and Family Services:			
Aging Cluster:			
NSIP	93.053	1000001998	\$ 168,252
Title III Supportive Services	93.044	1000001998	279,681
Title III Nutrition Services	93.045	1000001998	<u>459,700</u>
			<u>907,633</u>
Title VII Elder Abuse Prevention	93.041	1000001998	<u>3,695</u>
Title III Preventive Health	93.043	1000001998	<u>10,792</u>
Title VII Ombudsman	93.042	1000001998	<u>7,450</u>
Title III Caregiver Support	93.052	1000001998	<u>109,540</u>
Money Follows the Person	93.791	1000001998	<u>10,441</u>
SHIP	93.779	1000001998	35,132
CMS-MIPPA SHIP	93.779	1000001998	5,595
CMS-MIPPA ADRC/AAA	93.779	1000001998	<u>2,635</u>
			<u>43,362</u>
ACA - SHIP	93.518	1000001998	10,146
ACA - MIPPA AAA	93.518	1000001998	8,244
ACA - MIPPA ADRC	93.518	1000001998	<u>6,977</u>
			<u>25,367</u>
AOA-MIPPA ADRC	93.071	1000001998	6,713
AOA MIPPA AAA	93.071	1000001998	<u>4,502</u>
			<u>11,215</u>

GREEN RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Aging and Disability Resource Center	93.048	1000001998	<u>53,731</u>
Community Collaboration for Children	93.590	10000040091	88,400
	93.556	10000040091	<u>86,650</u>
			<u>175,050</u>
Consumer Directed Options Program	93.778	1000001998	<u>140,527</u>
Passed through Eastern Kentucky University: CCC Parental Involvement	93.590	452145-11-206	<u>1,995</u>
Passed through Ohio County Hospital: Rural Health Network	93.912	D06RH09001	<u>178,597</u>
Passed through National Council on Aging: Benefits Outreach and Enrollment	93.071	N/A	<u>23,411</u>
Passed through Kentucky Education Cabinet: ARRA Temporary Assist for Needy Families (TANF) WorkNow	93.714	3501000	<u>224,224</u>
 Total U.S. Department of Health and Human Services			 <u>\$ 1,927,030</u>
 <u>Corporation for National and Community Service</u>			
Passed through the Kentucky Community Service Commission:			
AmeriCorps - Senior Connections FY11	94.006	1100000495	\$ 310,800
AmeriCorps - Homeland Security FY11	94.006	11000001216	86,667
AmeriCorps - Senior Connections FY10	94.006	1000001547	36,110
AmeriCorps - Homeland Security FY10	94.006	1000001531	<u>83,097</u>
 Total Corporation for National and Community Service			 <u>\$ 516,674</u>
 <u>Department of Homeland Security</u>			
Passed through the Kentucky Office of Homeland Security:			
Homeland Security Cluster: National Incident Management System (NIMS)	97.004	MOU 2011	\$ 4,000
Citizen Corps Program	97.067	1100002865	<u>35,789</u>
			39,789

GREEN RIVER AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Passed through the Kentucky Division of Emergency Management:			
Mitigation Plan Update	97.017	PDM-PL-04-KY-2009-014	<u>32,266</u>
Total Department of Homeland Security			<u>\$ 72,055</u>
Total Federal Awards			<u>\$ 9,987,457 *</u>

Note A: This schedule of expenditures of federal awards includes the federal grant activity of GRADD and is presented on the accrual basis. 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*.

Note B: Federal revenue per the Combining Statement of Operations		
by Program and Supporting Services	\$	8,396,863
Revolving Loan Fund Federal Revenue		(798,240)
Loan Programs:		
Revolving loan fund		1,111,807
Revolving loan fund - Recapitalization		803,223
Intermediary relending program		<u>473,804</u>
Total per Schedule of Expenditures of Federal Awards	\$	<u>9,987,457 *</u>



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

Board of Directors
Green River Area Development District

We have audited the financial statements of the governmental activities and each major fund of the Green River Area Development District (GRADD), as of and for the year ended June 30, 2011, which collectively comprise GRADD's basic financial statements and have issued our report thereon dated November 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GRADD's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GRADD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GRADD's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 11-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

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

GRADD's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit GRADD's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Renee Hancock CPAs PSC

Owensboro, Kentucky
November 4, 2011



Riney Hancock CPAs

PSC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Green River Area Development District

Compliance

We have audited the Green River Area Development District's (GRADD's) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of GRADD's major federal programs for the year ended June 30, 2011. GRADD's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of GRADD's management. Our responsibility is to express an opinion on GRADD's compliance based on our audit.

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 GRADD'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. Our audit does not provide a legal determination of GRADD's compliance with those requirements.

In our opinion, GRADD complied, in all material respects, with the compliance requirements referred to above that could have a direct and material on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of GRADD is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to

Internal Control Over Compliance, Continued

federal programs. In planning and performing our audit, we considered GRADD's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 GRADD'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Renee Hancock CPAs PSC

Owensboro, Kentucky
November 4, 2011

GREEN RIVER AREA DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Green River Area Development District (GRADD).
2. A control deficiency relating to the audit of the financial statements is reported in the 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*. The condition is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of GRADD which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for GRADD expresses an unqualified opinion on all major federal programs.
6. As indicated in Part C of this schedule, there were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:
 - 10.760 – Hartford Wastewater Rehab Project
 - 11.307 – Economic Adjustment Assistance
 - 17.245 – WIA Trade
 - WIA Cluster:
 - 17.258 – Adult Program
 - 17.259 – Youth Activities
 - 17.278 – Dislocated Worker
 - 81.128 – Energy Efficiency and Conservation Block Grant Program
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. GRADD was determined to be a low-risk auditee.

GREEN RIVER AREA DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

B. Findings - Financial Statement Audit

Finding 11-01

Prior Period Adjustment

During the year, it was determined that certain prior year revenues were deferred instead of being recognized as revenue. To correct this error, the beginning fund balance of the governmental funds and beginning net assets for governmental activities have been increased to reflect the revenue.

Recommendation

Grant revenues and deferrals should be continually evaluated to determine the appropriate accounting treatment for transactions, including consultation with grantors, if necessary.

Management Response

The revenue was deferred in an effort to be conservative and consistent with the treatment of other grant revenue. The source of revenue will be carefully evaluated in the future to determine appropriate recognition in the financial statements.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

GREEN RIVER AREA DEVELOPMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

There were no prior audit findings.