

LAKE CUMBERLAND AREA  
DEVELOPMENT DISTRICT, INC.

Report on Audit of  
Financial Statements  
and Supplemental Information  
For the Year Ended June 30, 2010



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## INDEPENDENT AUDITOR'S REPORT

### Board of Directors

Lake Cumberland Area Development District  
Russell Springs, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake Cumberland Area Development District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Cumberland Area Development District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lake Cumberland Area Development District, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, 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 December 16, 2010, on our consideration of the Lake Cumberland 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* 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 on pages 3 through 8 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 the Lake Cumberland Area Development District's financial statements as a whole. The Supplemental information section as listed in the table of contents are presented for purposes of additional analysis and are 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 and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

*Campbell, Myers & Rathledge, PLLC*

December 16, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lake Cumberland Area Development District's (ADD) Annual Financial Report provides narrative discussion and analysis of the ADD's financial activities for the fiscal year ending June 30, 2010 and 2009. The ADD's financial performance is discussed and analyzed within the context of the accompanying financial statements. The discussion focuses on the ADD's primary government and unless otherwise noted, component units that report separately from the primary government are not included.

### Financial Highlights

- The ADD's total net assets increased by \$654,151 or 26.01%. The increase in net assets from the prior year was primarily due to increased local funding, including the CDO program.
- The ADD's governmental funds reported a total ending fund balance of \$2,992,566 comparing to the prior year fund balance of \$2,369,361. This shows an increase of \$623,205 during the current year, an 56.99% increase.
- The revenues for the current year increased from the prior year by a little over \$4,000,000. This increase was a result of increased revenues spread through several grants, primarily WIA, TANF, and increases in the CDO program.
- Operating revenues increased by 35% from the previous year and operating expenditures increased by 34%.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

1. Government-Wide Financial Statements;
2. Fund Financial Statements;
3. Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year.

The government-wide financial statements outline functions of the District that are principally supported by Federal and State funding and local contributions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All the funds of the District can be divided into three categories: governmental, proprietary funds, and component unit.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Financial Analysis of the District

The following information summarizes the changes in Net Assets between June 30, 2010 and June 30, 2009.

	<u>2010</u>	<u>2009</u>	<u>% increase (decrease)</u>
Current Assets	<u>\$ 6,867,795</u>	<u>\$ 5,450,330</u>	<u>26.01%</u>
Total Assets	<u>6,867,795</u>	<u>5,450,330</u>	<u>26.01%</u>
Current Liabilities	<u>2,622,495</u>	<u>1,698,462</u>	<u>54.40%</u>
Total Liabilities	<u>2,622,495</u>	<u>1,698,462</u>	<u>54.40%</u>
Unrestricted Net Assets	<u>4,245,300</u>	<u>3,751,888</u>	<u>13.15%</u>
Total Net Assets	<u>\$ 6,867,795</u>	<u>\$ 5,450,350</u>	<u>26.01%</u>

**Operating Activities:** The District receives grants from Federal and State agencies. These grant funds are expended for the programs specifically designated by these pass-through entities. The District charges administration fees for the administration of these programs. Grant revenue is earned when the District has complied with the terms and conditions of the grant agreements.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information summarizes the changes in operating income between fiscal years 2010 and 2009.

	<u>2010</u>	<u>2009</u>	% increase (decrease)
<b>Operating Revenues</b>			
Grants	\$ 13,755,419	\$ 10,806,010	27.29%
Local Assessments	-	15,476	-100.00%
Interest Income	62,501	74,275	-15.85%
Local	<u>1,548,009</u>	<u>473,657</u>	226.82%
Total Operating Revenue	<u>15,365,929</u>	<u>11,369,418</u>	35.15%
<b>Operating Expenses</b>			
Program Activities	14,073,166	10,864,633	29.53%
Local	<u>638,612</u>	<u>88,103</u>	624.85%
Total Operating Expenses	<u>14,711,778</u>	<u>10,952,736</u>	34.32%
<b>Change in Net Assets</b>	<u>\$ 654,151</u>	<u>\$ 416,682</u>	293.30%

### Overall Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position.

### Other Financial Information

**Budgetary Comments:** The operating budget of the ADD increased by approximately \$1,500,000 from FY-09 to FY-10. This increase was due to the addition of adding a new department (Senior Center Services) to the ADD on May 15, 2009 and the additional hiring of 7 staff for the Consumer Directed Option Program (CDO) on June 1, 2009. FY10 was the first full year we have had the Senior Center Services and the additional CDO staff. We still anticipate more increases in other activities such as the CDO program which continues to grow.

**Capital Assets and Long-Term Debt Activity:** The Lake Cumberland Area Development District does not hold any capital assets. Any investments in buildings and equipment are capitalized by the Lake Cumberland Development Council, Inc., (a component unit). Any fixed assets acquired with local, federal or state funds are recorded as expenditures at the time of purchases. The Council recently completed an addition to the current facilities with an estimated cost of approximately \$1,250,000. The building was financed with loans from SKRECC, Shelby RECC, and USDA (RHS) totaling \$1,175,000 and a RHS grant of \$75,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Budgetary Implications:** The overall losses and increases in funds of each department will result in an administrative budgetary increase for the coming year. The fiscal impact on administrative and sub-contractual budgets of each department is outlined in the attachments.

### **Workforce Investment Act**

In FY-10 WIA funding for Adults decreased by \$147,547 or 9.38%, Dislocated Worker funding decreased by \$287,964 or 26.34%, Youth funding decreased by \$50,396 or 3.70% and Trade funding decreased by \$50,396 or 3.70%. The amount was lower than the PY '09 due to the allocations from the state being more evenly distributed due to all areas sharing in the 1/3 of the formula used for those having a yearly unemployment rate average of 6.5% or above. Youth funding was lower due to the same formula calculations and influence by the unemployment rate. FY '11 funding should remain level with small changes. Again, this is due to the continued high rate of unemployment across the state and all having a share of the 1/3 of the formula for higher unemployment. \$600,000 in Rapid Response Additional Assistance was received to serve Dislocated Workers to cover formula funds that were transferred from Dislocated Worker to Adult to help cover higher number of Adults being served.

In FY'10 the Cumberland's WIA continued administering the Trade Adjustment (TAA) training program. FY '10 funding received was \$820,000. For FY'09 funding for this program amounted to \$775,000. The number of participants receiving training through the Trade programs has been smaller over the past year due to training being completed for many participants. Funding is sent to the local areas, as obligations of funds are determined. Several new companies have become Trade eligible at the beginning of FY-10 thus the number of participants could begin to rise again.

An award of \$500,000 was received through statewide reserve funds for the Heartland Economic Recovery Project. This program is help train dislocated workers and low income adults in various training courses. Another award of \$500,000 was received through statewide reserve funds for the Prescription for Success Health Care Initiative. These funds are to help train dislocated workers and low income adults in health related fields. An Award of \$1,607,946 was received through the Department of Labor and state of Kentucky's State Energy Sector Partnership. This grant is to help train individuals in energy programs to help with energy efficiency. \$3.200 in funds was received from the Education Cabinet under the JAG program for certification of participants and cost associated with that service. \$4,471.71 in Rapid Response Additional Assistance funds was received to contract with a local to business to retrain current employees thru a Layoff Aversion program.

The Cumberland's WIA was awarded funds for meeting performance measurements. \$40,037 was received thru Statewide Reserve fund for the Cumberland's Area meeting PY '08 performance measurements.

The Cumberland's WIA also received the following funds from the America Recovery and Reemployment Act (TANF). These TANF funds, which total \$13,587,917, are to be used as a subsidized employment program for low income and unemployment. The program will run from June 1, 2010 to September 30, 2010 with plans to serve 2500 participants.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Workforce Department staff experienced two changes during FY '10. Leslie Davis and Elizabeth White were employed to be a WIA Career Managers. Leslie is working with WIA follow-up and serving participants in OJT's and short term training. Elizabeth is working with individuals that enrolled into the specific grants.

### **Planning Department**

During FY-10, the LCADD Planning Department had an income totaling \$252,344, with contracts with the Kentucky Transportation Cabinet and the Kentucky Infrastructure Authority. Current contracts for FY-11 total \$201,754.

With this decrease in funding, the Planning Department will be able to sustain three full time positions, and one half time positions. Currently, the department secretary is working part time for the Consumer Directed Options program to share costs. Staff is currently working on acquiring other outside contracts to increase departmental revenues throughout the fiscal year.

### **Aging and Independent Living**

In FY-10, the Department received small increases in Title III-B Supportive Services, III-C1 Congregate Meals and C2 Home-Delivered Meals, Title III-D Preventive Health and Title VII Elder Abuse. Small decreases were given to the National Family Caregiver Program and the Title VII Ombudsman Program. All of these programs are federally-funded programs.

The Consumer Directed Option (CDO) Program continues to grow. A new Support Broker has been hired in the past fiscal year bringing the total to nine (9) Support Brokers working in the ten-county Lake Cumberland area. The program is still growing at a steady pace and more Support Brokers will be hired as the need arises. Based on reports from Frankfort, we are not expecting any cuts to the Medicaid program for FY-11; however, that is not written in stone.

For FY-11, State funding is still an unknown factor. An expected 4.5-5% budget cut is possible, but we are still awaiting confirmation. This would affect the Homecare and Adult Day Care Programs.

### **Community and Economic Development**

In FY-10, staff had administrative contracts for a number of CDBG, EDA, State House Bills and HUD projects. There are 49 open State House Bills, 2 EDA, 3 HUD-EDI, 14 CDBG and 15 other projects being administered by staff.

Staff is working on or has prepared applications for 43 other potential projects.

Staff had administration contracts for \$1,010,025 with the potential for \$116,500 more as new projects are funded. There are 6 new CDBG projects in the planning stage.

There were no new State House Bills in the 2010 Kentucky Legislative Budget. With this decrease in potential administration contracts, personnel changes could have been a concern, however one employee in the department has left the agency to accept a job elsewhere and we have chosen not to fill the vacant position at this time. Current staffing and services therefore will remain unchanged.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FY-10 RLF Write-Offs**

There were no loans written-off in FY-10.

### **Request for Information**

This report is designed to provide a basic financial overview of the ADD's finances, comply with financial related laws and regulations and demonstrate the ADD's commitment to public accountability. If you have any questions about this report contact Donna Diaz, Executive Director, at 270-866-4200 or by mail at Post Office Box 1570 Russell Springs, Kentucky 42642.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 3,793,287	\$ 464,255	\$ 4,257,542	\$ 229,609
Receivables(net)				
Due from Federal and State governments	1,687,077	-	1,687,077	-
Other	52,495	792,041	844,536	8,920
Internal balances	-	-	-	-
Prepays	78,640	-	78,640	-
Total Current Assets	5,611,499	1,256,296	6,867,795	238,529
Capital Assets:				
Non-Depreciable	-	-	-	70,000
Depreciable(net)	-	-	-	1,683,943
Total Capital Assets	-	-	-	1,753,943
Total Assets	\$ 5,611,499	\$ 1,256,296	\$ 6,867,795	\$ 1,992,472
LIABILITIES:				
Current Liabilities:				
Accounts payable:				
Vendors	\$ 217,001	\$ 3,552	\$ 220,553	\$ 52,496
Subgrantees	973,014	-	973,014	-
Notes Payable	-	-	-	63,881
Accrued liabilities	1,276,540	-	1,276,540	-
Deferred Revenue	152,388	-	152,388	-
Total Current Liabilities	2,618,943	3,552	2,622,495	116,377
Long-Term Liabilities:				
Notes Payable	-	-	-	1,044,046
Total Long-Term Liabilities	-	-	-	1,044,046
Total Liabilities	2,618,943	3,552	2,622,495	1,160,423
NET ASSETS:				
Restricted:				
Invested in capital assets, net of related debt	-	-	-	646,016
Unrestricted	2,992,556	1,252,744	4,245,300	186,033
Total Net Assets	\$ 2,992,556	\$ 1,252,744	\$ 4,245,300	\$ 832,049

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

Function/Program	Program Revenues			Net (Expense) Revenue and Change in Net Assets			Component Unit
	Expenses	Indirect Expenses Allocation	Charges for Services	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Government activities:							
Workforce Investment Act	\$ 8,585,631	\$ 296,084	\$ -	\$ 8,881,427	\$ (288)	\$ (288)	\$ -
ARRA-TANF	1,336,542	5,394	-	1,341,936	-	-	-
Aging	2,384,391	387,570	-	2,789,580	17,619	17,619	-
911 Public Safety Mapping	13,034	4,317	-	10,911	(6,440)	(6,440)	-
JFA	373,638	134,409	-	309,777	(198,270)	(198,270)	-
Transportation	74,248	25,295	-	87,552	(11,991)	(11,991)	-
Title IX RLF	12,869	3,905	-	16,242	(532)	(532)	-
State Road Data Collection	13,627	5,708	-	24,192	4,857	4,857	-
KIA Wris Planning	73,562	24,755	-	104,000	5,683	5,683	-
Homeland Security Programs	25,733	7,976	-	32,579	(1,130)	(1,130)	-
HS Community 911 Mapping	112,416	1,266	-	109,775	(3,907)	(3,907)	-
NIMS	2,660	707	-	3,218	(149)	(149)	-
Local Unrestricted	638,612	148,874	-	1,548,009	760,523	760,523	-
Administrative Expenses	1,046,260	(1,046,260)	-	-	-	-	-
Total Governmental Activities	14,693,223		-	15,259,198	565,975	565,975	-
Business Activities:							
Title IX RLF	18,555		44,230	-	-	25,675	-
Total Primary Government	14,711,778		44,230	15,259,198	565,975	591,650	-
Component Unit:							
LCDC	181,507		162,522	119,287	-	-	100,302
General Revenues:							
Local Assessments					-	-	-
Investment Income					57,219	5,282	62,501
Total General Revenues					57,219	5,282	104,535
Change in Net Assets					623,194	30,957	654,151
Net Assets July 1, 2009					2,369,362	1,221,787	3,591,149
Net Assets June 30, 2010					\$ 2,992,556	\$ 1,252,744	\$ 4,245,300

The accompanying notes are an  
integral part of the basic financial statements.  
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT**  
**June 30, 2010**

	GOVERNMENTAL FUND TYPES					COMPONENT UNIT	
	SPECIAL REVENUE					LAKE CUMBERLAND DEVELOPMENT COUNCIL	
	INTERNAL FUND	JFA STATE AND FEDERAL PROGRAMS	WORKFORCE INVESTMENT ACT	ARRA TANF	WORK NOW		
<b>ASSETS:</b>							
Cash	\$ 2,253,256	\$ 689,073	\$ 17,076	\$ 833,882	\$ 3,793,287	\$ 229,609	
Accounts receivable:							
Federal and state contributions	-	497,211	847,830	342,036	1,687,077	-	
Other	52,495		-	-	52,495	8,920	
Prepaid expenses	-	78,640	-	-	78,640	-	
Due from JFA and Federal programs	687,219	-	-	-	687,219	-	
Investment in fixed assets	-	-	-	-	-	1,753,943	
	<u>\$ 2,992,970</u>	<u>\$ 1,264,924</u>	<u>\$ 864,906</u>	<u>\$ 1,175,918</u>	<u>\$ 6,298,718</u>	<u>\$ 1,992,472</u>	
<b>LIABILITIES:</b>							
Accounts payable:							
Vendors	\$ -	\$ 10,380	\$ -	\$ 206,621	\$ 217,001	\$ 52,496	
Subgrantees	-	107,694	865,320	-	973,014	-	
Notes Payable	-	-	-	-	-	63,881	
Deferred revenue	-	152,388	-	-	152,388	-	
Accrued Payroll	-	137,772	-	969,297	1,107,069	-	
Accrued vacation	-	169,471	-	-	169,471	-	
Due to local operations	-	687,219	-	-	687,219	-	
Total Current Liabilities	-	<u>1,264,924</u>	<u>865,320</u>	<u>1,175,918</u>	<u>3,306,162</u>	<u>116,377</u>	
Long-Term Liabilities:							
Notes payable	-	-	-	-	-	1,044,046	
Total Long Term Liabilities	-	-	-	-	-	<u>1,044,046</u>	
<b>FUND BALANCE</b>	<u>2,992,970</u>	<u>-</u>	<u>(414)</u>	<u>-</u>	<u>2,992,556</u>	<u>832,049</u>	
	<u>\$ 2,992,970</u>	<u>\$ 1,264,924</u>	<u>\$ 864,906</u>	<u>\$ 1,175,918</u>	<u>\$ 6,298,718</u>	<u>\$ 1,992,472</u>	

The accompanying notes are an  
integral part of the basic financial statements.  
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2010**

Fund balances - total governmental funds	<u>\$ 2,992,556</u>
Net assets of governmental activities	<u>\$ 2,992,556</u>



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**For the Year Ended June 30, 2010**

	<b>Internal Fund</b>	<b>Special Revenue Fund</b>	<b>Totals</b>	<b>Component Unit</b>
<b>Revenues:</b>				
Federal and state grants	\$ -	\$ 13,702,434	\$ 13,702,434	\$ -
Member dues	-	-	-	-
Local contributed cash	-	-	-	-
CDO Program Administration	1,168,978		1,168,978	
Other	436,250	8,755	445,005	286,042
Total Revenues	<u>1,605,228</u>	<u>13,711,189</u>	<u>15,316,417</u>	<u>286,042</u>
<b>Expenditures:</b>				
Current programs:				
JFA	-	373,638	373,638	-
Aging	-	2,384,391	2,384,391	-
911 Public Safety Mapping	-	13,034	13,034	-
Transportation	-	74,248	74,248	-
State Road Data Collection	-	13,627	13,627	-
Title IX RLF	-	12,869	12,869	-
Homeland Security Programs	-	25,733	25,733	-
WIA	-	8,585,631	8,585,631	-
ARRA-TANF		1,336,542	1,336,542	
CDO	443,773	-	443,773	-
CMRS	-	-	-	-
HS Community 911 Mapping	-	112,416	112,416	-
NIMS	-	2,660	2,660	-
KIA Wris Planning	-	73,562	73,562	-
Internal	194,838	-	194,838	181,507
	638,611	13,008,351	13,646,962	181,507
Indirect costs allocated	148,874	897,386	1,046,260	-
Total Expenditures	<u>787,485</u>	<u>13,905,737</u>	<u>14,693,222</u>	<u>181,507</u>
Excess of Revenues over			-	
(under) Expenditures	817,743	(194,548)	623,195	104,535
Other financing sources:			-	
Operating transfers in (out)	(194,262)	194,262	-	-
Excess of revenues and other			0	
sources over (under) expenditures	623,481	(286)	623,195	104,535
Fund balance , July 1, 2009	<u>2,369,489</u>	<u>(128)</u>	<u>2,369,361</u>	<u>727,514</u>
Fund balance , June 30, 2010	<u>\$ 2,992,970</u>	<u>\$ (414)</u>	<u>\$ 2,992,556</u>	<u>\$ 832,049</u>

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES AND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**For the Year Ended June 30, 2010**

Net changes in fund balances - total government funds	<u>\$ 623,194</u>
Change in net assets of governmental activities	<u>\$ 623,194</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**BALANCE SHEET- PROPRIETARY FUNDS**  
**June 30, 2010**

	<b>TITLE IX LOAN FUND</b>
<hr/>	
ASSETS:	
Cash	\$ 464,255
Notes receivable	792,041
	<hr/> 1,256,296
LIABILITIES:	
Accounts payable:	
Vendors	<hr/> 3,552
NET ASSETS:	<hr/> \$ 1,252,744

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**TITLE IX REVOLVING LOAN FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**For the Year Ended June 30, 2010**

Revenues:	
Interest income - loans	\$ 38,157
Bad Debt Recoveries	4,003
Application and Processing Fee Income	<u>2,070</u>
Total Revenues	<u>44,230</u>
Expenditures:	
Administrative Expenses	18,355
Legal and Other Fees	<u>200</u>
Total Expenditures	<u>18,555</u>
Operating Revenues Over (Under) Expenditures	25,675
Interest Income, Savings	<u>5,282</u>
Revenues Over (Under) Expenditures	30,957
Fund Balance, June 30, 2009	<u>1,221,787</u>
Fund Balance, June 30, 2010	<u><u>\$ 1,252,744</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.  
LAKE CUMBERLAND DEVELOPMENT COUNCIL, INC.  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
DISCRETELY PRESENTED COMPONENT UNIT  
For the Year Ended June 30, 2010**

Revenues:

Office Rent and Automobile lease	\$ 158,972
Other income	<u>3,550</u>
Total Revenue	<u>162,522</u>

Expenditures:

Depreciation	98,926
Maintenance	41,761
Insurance	9,203
Supplies	1,810
Other	<u>3,584</u>

Total Operating Expenditures	<u>155,284</u>
------------------------------	----------------

Operating Income	<u>7,238</u>
------------------	--------------

Interest expense	(26,223)
Interest Income on Investments	4,233
Capital contributions	<u>119,287</u>
Revenues Over (Under) Expenditures	104,535

Fund Balance July 1, 2009	<u>727,514</u>
---------------------------	----------------

Fund Balance June 30, 2010	<u>\$ 832,049</u>
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The accompanying notes are an  
integral part of the basic financial statements.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT**  
**For the Year Ended June 30, 2010**

	<u>PRIMARY GOVERNMENT TITLE IX LOAN FUND</u>	<u>COMPONENT UNIT</u>
INCREASE (DECREASE) IN CASH :		
CASH FLOWS FROM OPERATIONS:		
Interest earned on loans	\$ 38,157	\$ -
Fees and other	6,073	3,550
Administrative expenses	(17,042)	-
Building and equipment rentals	-	193,565
Payments to vendors	-	(56,358)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>27,188</u>	<u>140,757</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Loans	(181,950)	-
Repayments on loans	<u>394,894</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>212,944</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	<u>5,282</u>	<u>4,233</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES :		
Addition to property and equipment	-	(1,137,678)
Notes Payable	-	562,400
Payments on loans	-	(61,073)
Capital contributions	-	119,287
Interest on loans	<u>-</u>	<u>(26,223)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(543,287)</u>
NET CHANGE IN CASH	245,414	(398,297)
CASH AT BEGINNING OF YEAR	<u>218,841</u>	<u>627,906</u>
CASH AT END OF YEAR	<u>\$ 464,255</u>	<u>\$ 229,609</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT**  
**For the Year Ended June 30, 2010**

Classified As:

Current Assets	464,255	229,609
Restricted Assets	-	-
Total	<u>\$ 464,255</u>	<u>\$ 229,609</u>

Reconciliation of Operating Income ( Loss)  
to Net Cash Provided By (Used In)  
Operating Activities:

Operating Income (Loss)	<u>\$ 25,675</u>	<u>\$ 7,238</u>
Adjustments not Affecting Cash:		
Depreciation	-	98,926
Loans Charged to Bad Debts	-	
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	-	34,593
Increase (Decrease) in Accounts Payable	<u>1,513</u>	<u>-</u>
Total Adjustments	<u>1,513</u>	<u>133,519</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 27,188</u>	<u>\$ 140,757</u>

The accompanying notes are an  
Integral part of the basic financial statements.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2010**

**1. Summary of Significant Accounting Policies:**

**Organization:**

Lake Cumberland Area Development District, Inc. (the District), is an association of local governments working together to solve common problems through a regional approach. The District creates a network from citizens to local elected officials through state agencies to the governor and appropriate federal agencies.

Operation of the District is financed by federal, state and local contributions. Local government contributions are received on a per capita formula basis. Major programs of non-local funding are: Joint Funding Administration, Workforce Investment Act, Aging and Homecare, Pride RLF and Title IX Revolving Loan Fund programs.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Date of Management Review:

Subsequent events were evaluated through December 16, 2010 which is the date the financial statements were available for review.



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2010**

**1. Summary of Significant Accounting Policies, Continued:**

**Reporting Entity:**

The financial statements present the District's (the primary government) and its discretely presented component unit Lake Cumberland Development Council. As defined by GASBS No. 14, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District.

The Development Council is a legally separate tax –exempt organization. It acts primarily as an organization that owns the facilities that the District and one other agency use as their main operating facility. The District pays rentals for the use of the facility. The Council and the District have a common Board of Directors and primarily provides these for the exclusive use of the District. Consequently, the Council is considered a component unit of the District and is discretely presented in the District's financial statements.

**Basic Financial Statement - Government-Wide Statements:**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's administration of grants are classified as governmental activities. The District's Revolving Loan Funds are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (revolving loan funds). The functions are also supported by general government revenues (federal and state grants and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, and operating grants. Program revenues must be directly associated with the function or a business-type activity (revolving loan fund). Operating grants include operating-specific and discretionary (either operating or capital) grants. The District has no capital grants.

The net costs (by function or business-type activity) are normally covered by operating grants or interest income from revolving loan notes.

The District allocates indirect costs to all programs. This indirect cost allocation plan is approved by the State and is used state-wide by all Area Development Districts.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2010**

**1. Summary of Significant Accounting Policies, Continued:**

**Basic Financial Statement - Fund Financial Statements:**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the District:

**1. Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

- a) General Fund/Internal Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b) Special Revenue Funds are used to account for the proceeds of operating grants that are restricted to expenditures for specified Federal and State programs

**2. Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District:

- a) Title IX Loan Fund-accounts for activities relating to commercial loans made to area businesses. A loan committee, selected from the District's board, approves these loans. The Economic Development Administration and local matching funds originally funded the program.

**Basis of Accounting:**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual:**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The government funds financial statements are also presented on the accrual basis of accounting.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2010**

**1. Summary of Significant Accounting Policies, Continued:**

**Budgets and Budgetary Accounting:**

Lake Cumberland Area Development District, Inc.'s primary funding source is federal, state and local grants that have grant periods that may or may not coincide with the District's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of Lake Cumberland Area Development District, Inc.'s dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. Lake Cumberland Area Development District, Inc.'s annual budget differs from that of most local governments in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

The Executive Committee formally approves the annual budget, but greater emphasis is placed on complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

Although the annual budget for the Special Revenue Funds is reviewed and approved by the Executive Committee, it is not a legally adopted budget. These funds constitute the majority of all funds received.

**Financial Statement Amounts:**

**1. Accounts Receivable**

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided as no material amounts are expected to be written off as of June 30, 2010. The direct write-off method does not significantly depart from generally accepted accounting principles.

**2. Capital Assets**

Fixed assets acquired with local funds and within various federal and state programs are recorded as expenditures at the time of purchase. The investment in buildings and equipment by Lake Cumberland Development Council, Inc., (a component unit) has been capitalized within that entity. Capital assets are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2010**

**1. Summary of Significant Accounting Policies, Concluded:**

Capital Assets, Continued

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Equipment	5 - 10 years

For the year ended June 30, 2010, depreciation expense of \$98,926 was charged to expense within that entity.

**3. 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.

**4. Compensated Absences**

The District accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. Vested or accumulated vacation and sick leave are reported as non-current liabilities on the statement of net assets.

Employees may accumulate and carry forward up to 30 days of unused vacation days and are compensated for these accumulated vacation days upon termination of employment. Employees may accumulate and carry forward up to 180 days of unused sick days. Employees are not paid for unused sick leave upon termination, except that employees who retire under the CERS retirement system receive credit for up to 120 days for retirement purposes and time in excess of 120 days up to the maximum allowable accrual of 180 days sick leave may be purchased from the employee if he/she makes the election. Unused sick leave accrual purchased from the employee upon retirement from the District will be used in determining the employee's final compensation.

**2. Cash Flows:**

For the purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**3. Rentals/Component Unit:**

Lake Cumberland Area Development District, Inc., leases its office facilities, equipment and automobiles from Lake Cumberland Development Council, Inc. (included within the accompanying financial statements). The District paid \$158,672 in rentals for the year ended June 30, 2010. Total annual rentals are based upon operating expenses of the Development Council.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2010**

**4. Deposits With Financial Institutions:**

Deposits

All deposits are in financial institutions and a brokerage account. The District's bank deposits are categorized below to give an indication of the custodial credit risk assumed by the Company at June 30, 2010.

Category 1 – Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no writer or approved collateral agreement.

	<u>Category</u>			<u>Total Bank</u>	<u>Carrying</u>
	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Balance</u>	<u>Amount</u>
Deposits with financial institutions:					
Primary Government	\$ 4,507,541	\$ -	\$ 170,368	\$ 4,677,909	\$ 4,257,542
Component Unit	237,070	-	-	237,070	229,609
	<u>\$ 4,744,611</u>	<u>\$ -</u>	<u>\$ 170,368</u>	<u>\$ 4,914,979</u>	<u>\$ 4,487,151</u>

Interest Rate Risk

The District invests in short term certificates of deposits with financial institutions. The District purchases these certificates as interest rates fluctuate in order to manage their exposure to fair value losses arising from increasing interest rates.

**5. Retirement Plan:**

The District participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. 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 adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching 5 years of service and are established by state statute. Benefits of CERS members are calculated on the basis of age, final average salary and service credit.

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at [www.kyret.com](http://www.kyret.com).

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2010**

**5. Retirement Plan, Continued:**

Employees are required to contribute 5%-6% of gross compensation to the plan. The Board of Trustees of KRS determines the District's required contribution annually, 16.16%, for the year ended June 30, 2010. For the year ended June 30, 2010, the Company's covered payroll was approximately \$2,500,000. The Company contributed approximately \$407,297 and employees contributed approximately \$127,747 to the plan.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plan and employers.

**Three Year Trend Information**

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. CERS presents six-year historical trend information in their June 30, 2009 financial statements showing progress in accumulating sufficient assets to pay benefits when due. The following table presents certain information regarding the Plans' status as a whole, derived from actuarial valuations performed as of the date indicated.

	CERS as of June 30, 2009	CERS as of June 30, 2008	CERS as of June 30, 2007
Actuarial Value of Assets	\$ 7,402,277,531	\$7,482,369,811	\$7,107,113,404
Actuarial Accrued Liability (AAL)	10,491,358,112	9,707,339,786	8,868,182,305
Unfunded (Overfunded)	<u>\$ 3,089,080,581</u>	<u>\$2,224,969,975</u>	<u>\$ 1,761,068,901</u>

The following table presents the last three years of total employer contributions to the Plan and the Company's contributions for the years ending June 30:

<u>Fiscal Year Ended</u>	<b>Total Plan Contributions CERS</b>		
	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	\$621,644,396	\$451,983,080	72.71%
2008	\$777,658,829	\$509,303,379	65.49%
2007	\$567,937,532	\$403,495,554	71.05%
2006	\$253,262,808	\$255,309,377	100.81%

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2010**

**5. Retirement Plan, Concluded:**

<u>Year Ended</u>	<b>Company Contributions</b>		
	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2010	\$ 407,298	\$ 407,298	100.00%
2009	\$ 258,530	\$ 258,530	100.00%
2008	\$ 302,221	\$ 302,221	100.00%
2007	\$ 229,423	\$ 229,423	100.00%
2006	\$ 192,979	\$ 192,979	100.00%

As the District is only one of several employers participating in the Plan and it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

**6. Prior Period Adjustment:**

During the current year, it was determined that certain prior year receipts totaling \$160,720 were incorrectly recorded as revenue instead of being deferred. To correct this error, the beginning fund balance of as originally reported, has been decreased by this amount and current liabilities have been increased by a like amount. In addition, beginning net assets for governmental activities, as originally reported, have been decreased by \$160,720.

**7. Contingencies:**

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District'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.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED**  
**For the Year Ended June 30, 2010**

**8. Exit Conference:**

An exit conference was held at the office of Lake Cumberland Area Development District, Inc., with the following personnel present:

Lake Cumberland Area Development District, Inc.:

Donna Diaz

Donna Little

Brently Bault

Campbell, Myers & Rutledge:

Skip Campbell



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES**  
For the Year Ended June 30, 2010

	<u>JFA Programs</u>	<u>Aging</u>	<u>Trans- portation</u>	<u>State Road Date Collection</u>	<u>HWY Safety &amp; Local Road Mapping</u>	<u>WIA Adminis- tration</u>	<u>WIA Adult Case Management</u>	<u>WIA Youth Case Management</u>	<u>WIA Dis Worker Case Manage</u>	<u>WIA Rapid Response</u>	<u>WIA State Reserve &amp; JAG/JKG</u>
<b>Revenues:</b>											
Federal and state funds:											
Received	\$ 309,777	\$ 3,993,918	\$ 78,797	\$ 24,192	\$ 10,911	\$ 382,658	\$ 323,884	\$ 157,821	\$ 208,410	\$ 18,496	\$ 5,410
Receivable	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue (unexpended)	-	(35,360)	-	-	-	-	-	-	-	-	-
Local funds:											
Annual assessments	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	8,755	-	-	-	-	-	-	-	-
Applied to programs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<u>309,777</u>	<u>3,958,558</u>	<u>87,552</u>	<u>24,192</u>	<u>10,911</u>	<u>382,658</u>	<u>323,884</u>	<u>157,821</u>	<u>208,410</u>	<u>18,496</u>	<u>5,410</u>
<b>Expenditures:</b>											
Direct costs:											
Salaries	252,909	996,628	47,496	10,047	9,673	117,999	132,108	83,214	77,277	9,503	1,603
Employee benefits	93,918	330,219	18,037	3,118	2,932	35,028	59,501	23,381	31,885	2,774	778
Travel	9,696	50,207	592	-	58	14,063	8,034	4,520	3,020	848	-
Subgrantees and contracts	-	840,676	-	-	-	-	-	-	-	-	-
Other direct costs	<u>17,114</u>	<u>610,434</u>	<u>8,123</u>	<u>462</u>	<u>371</u>	<u>163,478</u>	<u>55,032</u>	<u>6,020</u>	<u>46,320</u>	<u>413</u>	<u>2,347</u>
<b>Total Direct Costs</b>	<u>373,638</u>	<u>2,828,164</u>	<u>74,248</u>	<u>13,627</u>	<u>13,034</u>	<u>330,569</u>	<u>254,675</u>	<u>117,134</u>	<u>158,503</u>	<u>13,538</u>	<u>4,728</u>
<b>Indirect Costs:</b>											
Indirect costs applied	<u>134,409</u>	<u>521,946</u>	<u>25,295</u>	<u>5,708</u>	<u>4,317</u>	<u>52,089</u>	<u>69,209</u>	<u>40,687</u>	<u>40,836</u>	<u>4,958</u>	<u>682</u>
<b>Total Expenditures</b>	<u>508,047</u>	<u>3,350,110</u>	<u>99,543</u>	<u>19,336</u>	<u>17,351</u>	<u>382,658</u>	<u>323,884</u>	<u>157,821</u>	<u>199,339</u>	<u>18,496</u>	<u>5,410</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>\$ (198,271)</u>	<u>\$ 608,448</u>	<u>\$ (11,991)</u>	<u>\$ 4,856</u>	<u>\$ (6,440)</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,071</u>	<u>\$ -</u>	<u>-</u>

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

<u>WIA ARRA Funds</u>	<u>WIA RR-TRADE</u>	<u>WIA Worknow</u>	<u>Homeland Security Projects</u>	<u>RLF Adminis- tration</u>	<u>911 MAPPING &amp; Equipment</u>	<u>NIMS</u>	<u>KIA Planning</u>	<u>Total All Programs</u>	<u>General Adminis- tration</u>	<u>Unrestricted Funds</u>	<u>Total Revenues and Expenditures</u>
\$ 182,168	\$ 114,515	\$ 15,071	\$ 32,579	\$ 16,242	\$ 109,775	\$ 3,218	\$ 104,000	\$ 6,091,841	\$ -	\$ 436,250	\$ 6,528,091
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(35,360)	-	-	(35,360.00)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	8,755	-	-	8,755.00
-	-	-	-	-	-	-	-	-	-	-	-
<u>182,168</u>	<u>114,515</u>	<u>15,071</u>	<u>32,579</u>	<u>16,242</u>	<u>109,775</u>	<u>3,218</u>	<u>104,000</u>	<u>6,065,236</u>	<u>-</u>	<u>436,250</u>	<u>6,501,486</u>
88,279	56,085	6,593	16,238	7,189	1,873	2,035	46,576	1,963,324	248,454	29,585	2,241,363
35,108	21,792	2,062	5,394	2,736	609	530	13,359	683,160	411,716	7,753	1,102,630
5,609	2,641	-	848	699	-	-	3,960	104,797	9,961	3,255	118,013
-	-	-	2,250	-	109,775	-	-	952,701	-	34,265	986,966
<u>4,219</u>	<u>4,399</u>	<u>1,022</u>	<u>1,003</u>	<u>2,245</u>	<u>159</u>	<u>96</u>	<u>9,667</u>	<u>932,925</u>	<u>376,130</u>	<u>119,981</u>	<u>1,429,036</u>
133,215	84,918	9,677	25,733	12,869	112,416	2,660	73,562	4,636,907	1,046,261	194,839	5,878,007
<u>58,024</u>	<u>29,598</u>	<u>5,394</u>	<u>7,976</u>	<u>3,905</u>	<u>1,266</u>	<u>707</u>	<u>24,755</u>	<u>1,031,763</u>	<u>(1,046,261)</u>	<u>14,497</u>	<u>-</u>
<u>191,239</u>	<u>114,515</u>	<u>15,071</u>	<u>33,710</u>	<u>16,774</u>	<u>113,682</u>	<u>3,367</u>	<u>98,317</u>	<u>5,668,670</u>	<u>-</u>	<u>209,336</u>	<u>5,878,006</u>
<u>\$ (9,072)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,130)</u>	<u>\$ (532)</u>	<u>\$ (3,907)</u>	<u>\$ (149)</u>	<u>\$ 5,683</u>	<u>\$ 396,566</u>	<u>\$ -</u>	<u>\$ 226,914</u>	<u>\$ 623,481</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF AGING OPERATIONS BY PROGRAM**  
**For the Year Ended June 30, 2010**

	<b>Title III Part B, C &amp; E Administration</b>	<b>Title III Part B: Supportive Services Includes Case Management</b>	<b>Title III Part F: Preventive Health</b>	<b>Homecare</b>
Revenues:				
Federal and State funds:				
Received	\$ 154,013	\$ 167,668	\$ 32,863	\$ 497,735
Receivable	-	-	-	-
Deferred or (unexpended)	-	-	-	(8,794)
Local funds:				
Other	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Revenues	<u>154,013</u>	<u>167,668</u>	<u>32,863</u>	<u>488,941</u>
Expenditures:				
Direct costs:				
Salaries	67,824	43,381	-	45,887
Employee benefits	24,199	13,948	-	10,513
Travel	3,777	2,407	-	2,204
Subgrantees and contracts		96,682	32,784	421,305
Other direct costs	20,465	8,280	-	3,993
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Direct Costs	116,266	164,698	32,784	483,902
Indirect Costs:				
Indirect costs applied	33,582	22,273	-	22,551
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenditures	<u>149,848</u>	<u>186,971</u>	<u>32,784</u>	<u>506,453</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>\$ 4,165</u>	<u>\$ (19,303)</u>	<u>\$ 79</u>	<u>\$ (17,512)</u>
In-Kind Match				

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

[illegible]

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**WIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2010**

WIA Revenue by Grant	
WIA-Youth:	
274YT09 -PY08	\$ 612,052
274YT10 -PY09	832,856
274S9YT ARRA 2008	1,083,067
WIA-Adult:	
270AD09 - PY 08	24,720
270AD10- PY-09	205,091
273AD09 - FY 09	668,788
273AD10 - FY 10	268,838
270S9AD ARRA 2008	814,150
WIA-Dislocated Workers:	
271DW09 - FY09	1,033,636
271DW10 - FY10	551,875
272DW09 - PY08	26,608
272DW10 - PY09	674,240
272S9DW ARRA 2008	771,753
25808 NEG Grant	105,123
WIA-Trade:	
205BE08	437,201
205BE09	494,445
205BE10	273,784
JKG	3,200
Total Revenue	<u>8,881,427</u>
Expenditures:	
WIA-Youth:	
274YT09 -PY08	612,052
274YT10 -PY09	832,856
274S9YT ARRA 2008	1,083,067
WIA-Adult:	
270AD09 - PY 08	24,720
270AD10- PY 09	205,091
273AD09 - FY 09	668,788
273AD10 - FY 10	268,838
270S9AD ARRA 2008	814,150
271SR09 Utility Training	109,922
25808 NEG Grant	105,123
WIA-Dislocated Workers:	
271DW09 - FY09	923,714
271DW10 - FY10	551,875
272DW09 - PY08	26,608
272S9DW ARRA 2008	771,753
272DW10 - PY09	674,240
WIA-Trade:	
205BE08	437,201
205BE09	494,445
205BE10	273,784
JKG	3,486
Total Expenditures	<u>8,881,712</u>
Revenues Over (Under) Expenditures	(286)
FY-10 JAG expense over Revenue received.	286
	<u>\$ (0)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**TANF Work Now Program**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**June 30, 2010**

Revenues:	
Grant Revenues	\$ 1,342,036
Expenditures:	
Salaries and wages	1,057,175
Payroll taxes	78,240
Contracts	192,466
Administrative expenses	14,155
	<u>1,342,036</u>
Revenue over(under) expenditures	<u>-</u>
Fund Balance July 1, 2009	-
Fund Balance June 30, 2010	<u>\$ -</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**CONSUMER DIRECTED OPTIONS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2010**

Revenues:	
Consumer grants	<u>\$ 1,269,408</u>
Total Revenue	<u>1,269,408</u>
Expenditures:	
Client Services	1,196,634
Goods and services	48,627
Respite SCL Waiver	<u>8,928</u>
Total Expenditures	<u>1,254,189</u>
Revenues Over (Under) Expenditures	15,219
Fund Balance July 1, 2009	<u>(56,988)</u>
Fund Balance June 30, 2010	<u><u>\$ (41,769)</u></u>

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF COMPLETED GRANT JOINT FUNDING AGREEMENT**  
**Period of Performance: July 1, 2009 to June 30, 2010**

	<u>BUDGET</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>TOTAL</u>	<u>ACTUAL OVER(UNDER) BUDGET</u>
Revenues:					
Federal	\$ 173,885	\$ 176,605	\$ -	\$ 176,605	\$ 2,720
State	140,671	133,172	-	133,172	(7,499)
Local funds	-	-	-	-	-
	<u>314,556</u>	<u>309,777</u>	<u>-</u>	<u>309,777</u>	<u>(4,779)</u>
Expenditures:					
Community and Economic					
Development EDA (120)	52,092	68,578	26,436	95,014	(42,922)
Community and Economic					
Development (125)	29,032	78,512	26,288	104,800	(75,768)
Community and Economic					
Development (130)	191,921	194,388	70,325	264,713	(72,792)
Management Assistance (140)	26,287	25,746	9,387	35,133	(8,846)
Program Administration (150)	15,062	6,414	1,974	8,388	6,674
	<u>314,394</u>	<u>373,638</u>	<u>134,410</u>	<u>508,048</u>	<u>(193,654)</u>
Excess (Deficiency) of					
Revenues Over Expenditures	\$ 162	\$ (63,861)	\$ (134,410)	\$ (198,271)	\$ (198,433)

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



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF ALLOCATED COSTS CLAIMED – INDIRECT EXPENSE**  
**For the Year Ended June 30, 2010**

	<u>Costs Claimed</u>	<u>Costs Allowed</u>	<u>Questioned Costs</u>
Salaries	\$ 248,454	\$ 248,454	\$ -
Personnel Burden	411,716	411,716	-
Travel	9,961	9,961	-
Equipment maintenance and rent	81,942	81,942	-
Building rentals	101,434	101,434	-
Meeting expenses	9,989	9,989	-
Utilities and telephone	17,269	17,269	-
Janitorial expenses	14,521	14,521	-
Dues and memberships	14,613	14,613	-
Printing and publications	3,486	3,486	-
Supplies	33,131	33,131	-
Insurance	15,457	15,457	-
Postage	7,371	7,371	-
Other	<u>76,917</u>	<u>76,917</u>	<u>-</u>
	<u>\$ 1,046,261</u>	<u>\$ 1,046,261</u>	<u>\$ -</u>

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2010**

	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Dept of Health and Human Services</b>			
<b>Passed Through KY Cabinet for Health and Family Services</b>			
<b>Dept of Aging and Independent Living</b>			
Aging Cluster:			
Programs for Aging Title III:			
Title III - B Administration	09-11891	93.044	\$ 88,341
Part B: Supportive Services	09-11891	93.044	276,017
Part C: Nutrition Services	09-11891	93.045	500,858
Nutrition Services Incentive Program (USDA)	09-11891	93.053	79,255
Total Aging Cluster			<u>944,471</u>
Part F: Disease Prevention	09-11891	93.043	20,050
National Family Caregiver Support	09-11891	93.052	124,961
Center for Medicare & Medicaid Services (SHIP)	09-11891	93.779	21,943
Medicare Improvements for Patients & Providers (MIPPA)	09-11891	93.779	7,528
Congregate Meals C-1 ARRA	09-11891	93.707	49,769
Home Delivered Meals C-2 ARRA	09-11891	93.705	24,501
Programs for Aging Title VII:			
Ombudsman	09-11891	93.042	8,739
Elder Abuse	09-11891	93.041	4,723
			<u>1,206,685</u>
<b>US Department of Health and Human Services</b>			
<b>Ky Department of Workforce Development</b>			
Temporary Assistance for Needy Families ARRA ( TANF)		93.558	<u>1,342,036</u>
<b>US Department of Commerce:</b>			
Revolving Loan Fund (1)		11.300	<u>864,224</u>
<b>Federal Dept of Homeland Security</b>			
<b>Ky Office of Homeland Security</b>			
Pre - Disaster Mitigation		97.047	32,579
Homeland Security KHSGP -08 Radios		97.067	76,858
Homeland Security KHSGP -08 911		97.067	25,880
National Incident Management Systems	M-06189044	97.004	3,218
			<u>138,535</u>
<b>Department of Commerce/Joint Funding Administration</b>			
<b>Governor's Office for Local Development:</b>			
Appalachian Regional Commission (ARC)		23.009	96,044
Economic Development Technical Assistance (JFA-EDA)		11.303	42,148
CDBG - Technical Assistance Program (JFA-CDBG)		14.227	28,190
			<u>166,382</u>

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**For the Year Ended June 30, 2010**

**DOL, Education Cabinet, Office of Employment and Training**  
**Division of Workforce Services:**

Wia Cluster:

WIA-Youth:

274YT09 - PY 08	M-04127521	17.259	612,052
274YT10 - PY 09	M-04127521	17.259	832,856
274SRYT ARRA 2008	M-04127521	17.259	1,083,067

WIA-Adult:

270AD09 - PY 08	M-04127521	17.258	24,720
270AD10 - PY 09	M-04127521	17.258	205,091
273AD09- FY-09	M-04127521	17.258	668,788
273AD10 - FY 10	M-04127521	17.258	268,838
270S9AD ARRA 2008	M-04127521	17.258	814,150

WIA-Dislocated Workers:

271DW09 - FY09	M-04127521	17.260	1,033,636
271DW10 - FY10	M-04127521	17.260	551,875
272DW09 - PY08	M-04127521	17.260	26,608
272DW10 - PY09	M-04127521	17.260	674,240
272S9DW ARRA 2008	M-04127521	17.260	771,753

JAG

17.260	3,200
--------	-------

Total WIA Cluster

<u>7,570,874</u>
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25808 NEG Grant

M-04127521	17.267	105,123
------------	--------	---------

WIA-Trade:

205BE08	M-04127521	17.245	437,201
205BE09	M-04127521	17.245	494,445
205BE10	M-04127521	17.245	273,784
			<u>8,881,428</u>

Total Federal Financial Assistance

<u>\$ 12,599,289</u>
----------------------

**Note 1**

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lake Cumberland Area Development District, Inc., 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 this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONCLUDED**  
**For the Year Ended June 30, 2010**

**Note 2**  
**SUBRECEIPIENTS**

Lake Cumberland Area District, Inc. provided federal awards to sub-recipients as follows:

Program for Aging Title III:

Support	93.044	\$	80,014
Disease Prevention	93.043		20,050
National Family Caregivers	93.052		93,721
Center for Medicare (SHIP)	93.779		24,719

Workforce Investment Act:

Youth	17.259		2,248,554
Adult	17.258		1,555,916
Dislocated Worker	17.260		2,592,303
Trade	17.245		1,089,825

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2010**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Lake Cumberland Area Development District.
2. One instance of significant deficiencies that were disclosed during the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs of Lake Cumberland Area Development District.
3. No instances of noncompliance material to the financial statements of Lake Cumberland Area Development District, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No instances of significant deficiencies related to the audit of the major federal award programs are reported in the Lake Cumberland Area Development District.
5. The auditors' report on compliance for the major federal award programs for Lake Cumberland Area Development District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. Identification of major programs:

Aging Cluster	93.044, 93.045, 93.053
National Family Caregiver	93.052
TANF-ARRA	93.558
RLF	11.300
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Lake Cumberland Area Development District qualified as a low-risk auditee.

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONCLUDED**  
**For the Year Ended June 30, 2010**

FINDINGS-FINANCIAL STATEMENT AUDIT:

Finding 2010-1: Under the existing accounting process certain accrual entries and adjustments are not made monthly.

Recommendation: We recommend that instead of waiting until year end to make the necessary accruals that they be made on a monthly basis. This would insure that revenues are recognized when earned and related expenses are recorded when the obligation is incurred. The accrual basis is required by generally accepted accounting principles since it results in financial statements and reports that reflect the complete effects of an entity's financial transactions for a period.

Response: Management and finance department personnel have indicated that they will review all financial reports, journals and general ledgers on a monthly basis and make appropriate entries.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None

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## 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  
Lake Cumberland Area Development District  
Russell Springs, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake Cumberland Area Development District, as of and for the year ended June 30, 2010, which collectively comprise the Lake Cumberland Area Development District's basic financial statements and have issued our report thereon dated December 16, 2010. 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 Lake Cumberland Area Development District'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 Lake Cumberland Area Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Cumberland Area Development District'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 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.

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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Item 1-2010). 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 Lake Cumberland Area Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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*.

We noted certain matters that we reported to management of Lake Cumberland Area Development District, in a separate letter dated December 16, 2010.

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

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and 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.

*Campbell, Myers & Ratledge, PLLC*

December 16, 2010



# CAMPBELL, MYERS & RUTLEDGE, PLLC

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## Independent Auditor's 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  
Lake Cumberland Area Development District  
Russell Springs, Kentucky

### Compliance

We have audited Lake Cumberland Area Development District's 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 Lake Cumberland Area Development District's major federal programs for the year ended June 30, 2010. Lake Cumberland Area Development District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Cumberland Area Development District's management. Our responsibility is to express an opinion on Lake Cumberland Area Development District's compliance based on our audit.

Lake Cumberland Area Development District's basic financial statements include the operations of the Lake Cumberland Development Council Inc., which received \$381,687 in federal awards which is not included in the schedule during the year ended June 30, 2010. Our audit, described below, did not include the operations of Lake Cumberland Development Council Inc. because the amounts received were less than required to have an audit in accordance with OMB Circular A-133.

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 Lake Cumberland Area Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination of Lake Cumberland Area Development District's compliance with those requirements.

In our opinion, Lake Cumberland Area Development District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

Management of Lake Cumberland Area Development District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake Cumberland Area Development District's internal control over compliance with the 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 Lake Cumberland Area Development District's internal control over compliance.

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

*Campbell, Myers & Ratledge, PLLC*

December 16, 2010

