

LAKE CUMBERLAND AREA  
DEVELOPMENT DISTRICT, INC.

Report on Audit of  
Financial Statements  
and Supplemental Information  
For the Year Ended June 30, 2011



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lake Cumberland Area Development District  
Russell Springs, KY

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, 2011, 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, 2011, 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 November 22, 2011, 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 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 & Rutledge, PLLC*

November 22, 2011

## 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, 2011 and 2010. 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 \$836,866 or 27.93%. 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 \$3,798,889 comparing to the prior year fund balance of \$2,992,566. This shows an increase of \$806,323 during the current year, a 78.77% increase.
- The revenues for the current year increased from the prior year by a little over \$4,846,000. This increase was a result of increased revenues principally from TANF and the CDO program.
- Operating revenues increased by 34% 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, 2011 and June 30, 2010.

|                     | <u>2011</u>         | <u>2010</u>         | <u>% increase<br/>(decrease)</u> |
|---------------------|---------------------|---------------------|----------------------------------|
| Current Assets      | <u>\$ 6,617,858</u> | <u>\$ 6,867,795</u> | <u>-3.64%</u>                    |
| Total Assets        | <u>6,617,858</u>    | <u>6,867,795</u>    | <u>-3.64%</u>                    |
| Current Liabilities | <u>1,535,692</u>    | <u>2,622,495</u>    | <u>-41.44%</u>                   |
| Total Liabilities   | <u>1,535,692</u>    | <u>2,622,495</u>    | <u>-41.44%</u>                   |
| Net Assets          | <u>5,082,166</u>    | <u>4,245,300</u>    | <u>19.71%</u>                    |
| Total Net Assets    | <u>\$ 6,617,858</u> | <u>\$ 6,867,795</u> | <u>-3.64%</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 2011 and 2010.

|                             | <u>2011</u>       | <u>2010</u>       | <u>% increase<br/>(decrease)</u> |
|-----------------------------|-------------------|-------------------|----------------------------------|
| <b>Operating Revenues</b>   |                   |                   |                                  |
| Grants                      | \$ 18,601,496     | \$ 13,755,419     | <u>35.23%</u>                    |
| Local Assessments           | -                 | -                 |                                  |
| Interest Income             | 43,307            | 62,501            | <u>-30.71%</u>                   |
| Local                       | <u>1,899,655</u>  | <u>1,548,009</u>  | <u>22.72%</u>                    |
| Total Operating Revenue     | <u>20,544,458</u> | <u>15,365,929</u> | <u>33.70%</u>                    |
| <b>Operating Expenses</b>   |                   |                   |                                  |
| Program Activities          | 19,082,407        | 14,073,166        | <u>35.59%</u>                    |
| Local                       | <u>625,185</u>    | <u>638,612</u>    | <u>-2.10%</u>                    |
| Total Operating Expense     | <u>19,707,592</u> | <u>14,711,778</u> | <u>33.96%</u>                    |
| <b>Change in Net Assets</b> | <u>\$ 836,866</u> | <u>\$ 654,151</u> | <u>27.93%</u>                    |

### 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 has increased by approximately \$497,000 from FY-10 to FY-11 due to an increase in normal operating expenses. Some of these increases consist of hiring 2 Support Brokers for the Consumer Directed Option Program (CDO) as well as 1 staff for Aging/CDO data entry. In addition to these we have hired 2 staff for the State Energy Sector Partnership Grant which is only an 18 month grant and a part-time van driver for the Senior Center Services. 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**

WIA formula funding for Adults decreased from \$1,426,305 in FY-10 to \$1,359,096.86 in FY-11. This is a \$67,209 decrease or 4.7%. WIA formula funding for Dislocated Workers increased from \$805,551 in FY-10 to \$939,297 in FY-11. This is a \$133,745 increase or 16.6%. WIA formula funding for Youth decreased from \$1,314,999 in FY-10 to \$1,202,565 in FY-11. This is a \$112,433 decrease or 8.52%. Trade funding increased from \$820,000 in FY-10 to \$1,550,000 in FY-11. This is a \$730,000 increase or 47.1%. The Adult funding 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. Dislocated Worker funding increased due to the number of dislocations that has occurred in our area in comparison to the other areas in the state. Youth funding decrease due to funding cuts in the Continuing Resolution (CR) passed by Congress. FY-12 funding for Adults and Dislocated Workers will be decreased due to the Budget CR passed by Congress. Trade funding should be level or rise slightly due to looking at enrollees and projected obligations. \$480,000 in Rapid Response Additional Assistance, State WIA Administration and ARRA Statewide Reserve funds was received to serve Dislocated Workers to cover the shortfall of formula funds.

As part of the Federal Budget Continuing Resolution (CR) that passed Congress, \$1,364.68 of Dislocated Worker and \$2,246.36 of Adult funds were rescinded.

Funds were received using Rapid Response and Statewide Administration Funds in the amount of \$150,058 for Trade Case Management. Two awards were received in amounts of \$158,178 and \$115,605 to replace and recapture Rapid Response previously used for Trade Case Management.

An award of \$391,921 was received through a statewide National Emergency Grant (NEG) to serve Dislocated Workers for specific company that met the criteria. Another award of \$83,897 was received through a statewide National Emergency Grant to train Dislocated Workers using OJT's. Participants must be unemployed for 21 weeks or more to be eligible. An Award of \$400,000 was received through ARRA funds to provide an internship program for WIA participant that had completed training. Due to limited response from the business community \$395,051 was recaptured by the state. Also, \$125,600 was recaptured by the state from a grant received last year called Prescription for success. This was due to a contractor not being able to fill slots for certain types of training. Another grant for \$8,000 was received using ARRA funds to promote the National Career Readiness Certificate (NCRC) by having open house for businesses at each Adult Education Centers in our area.

The Cumberland WIA was awarded funds for meeting performance measurements. \$144,491 was received thru Statewide Reserve fund for the Cumberland Area meeting PY '09 performance measurements.

At the end of June we received \$265,000 in ARRA funds to replace Rapid Response that were rescinded by the state. We also received \$175,605 in ARRA funds to replace Trade Administration funds that were rescinded by the state.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Cumberland WIA also received the following funds from the America Recovery and Reemployment Act (TANF) for a subsidized employment program from June 1, 2010 to September 30, 2010. These TANF funds, which totaled \$8,478,892 were used to fulfill this program. Of this amount, \$7,353,263 was paid in wages to 2,487 participants who were employed during this program. A total of 921 different employers benefited from this as well. As the 2,487 participants, 1,306 returned to school and 436 gained employment. A total of 70.04% of those in the program either returned to school or gained employment.

The Workforce Department staff experienced three changes during FY '11. Elizabeth White is no longer employed as WIA Career Manager. Karen Plagge and Doug Miller were hired to work on the SESP grant through September 2012.

### **Planning Department**

During FY-11, the LCADD Planning Department had an income totaling \$201,754.00, with contracts with the Kentucky Transportation Cabinet and the Kentucky Infrastructure Authority. Current contracts for FY-12 total \$188,854.00, a 6% decrease from last year. These contracts are as follows:

|                               |              |
|-------------------------------|--------------|
| Transportation Planning       | \$76,254.00  |
| Water and Wastewater Planning | \$104,000.00 |
| Local Road Updates            | \$8,600.00   |

With this decrease in funding, the Planning Department will be able to sustain three full time positions, and one half time position. 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-11, the Department received small increases in Title III-B Supportive Services, III- C2 Home-Delivered Meals, Title III-D Preventive Health, and Title VII Ombudsman. Small decreases were received by the Title III-E National Family Caregiver Program, and the Title III Elder Abuse. All of these programs are federally-funded programs. Another state program that received a small increase in funding was the State Long Term Care Ombudsman Program.

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) full-time and one part-time (1) Support Broker working in the ten-county Lake Cumberland area. Also, hired was one (1) part-time secretary who inputs program data bringing the total to ten (10) employees in the CDO division of the Aging Department. There are now approximately 370 CDO clients at this time. Due to the current economic status, the future of the CDO program is certainly not guaranteed; however, we are fairly confident of the program's veracity.

For FY-12, Federal and State funding is still unknown. Budget cuts are always possible and we are waiting for allocations. We are anticipating at least a 5% cut from the State which would affect Homecare and Adult Day Care Programs. Currently, we are in a holding pattern.

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

### **Community and Economic Development**

In FY 11, staff had administrative contracts for a number of CDBG, EDA, State House Bills and HUD projects. There are 25 open State House Bills, 1 EDA, 2 HUD-EDI, 11 CDBG and 10 other projects being administered by our staff.

Our staff is working on or has prepared applications for 40 other potential projects.

The ADD has administration contracts for approximately \$380,000 with the potential for approximately \$190,000 more as new projects are funded. There are 8 new CDBG projects in the planning stage.

There are no new State House Bills and the one vacant position in the department remains unfilled. State and federally funded programs appear to be intact for the time being; therefore current staffing and services will remain unchanged.

### **RLF Write-Offs**

There were no loans written-off in FY-11.

### **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, 2011**

|  | Primary Government         |                             |                     | Component<br>Unit   |
|--|----------------------------|-----------------------------|---------------------|---------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total               |                     |
| <b>ASSETS:</b>                                     |                            |                             |                     |                     |
| Current Assets:                                    |                            |                             |                     |                     |
| Cash and Cash Equivalents                          | \$ 3,523,966               | \$ 520,737                  | \$ 4,044,703        | \$ 200,247          |
| Receivables  |                            |                             |                     |                     |
| Due from Federal and State governments             | 1,654,407                  | -                           | 1,654,407           | -                   |
| Other  | 52,785                     | 765,753                     | 818,538             | 57,978              |
| Internal balances                                  | -                          | -                           | -                   | -                   |
| Prepays  | 100,210                    | -                           | 100,210             | -                   |
| Total Current Assets                               | <u>5,331,368</u>           | <u>1,286,490</u>            | <u>6,617,858</u>    | <u>258,225</u>      |
| Capital Assets:                                    |                            |                             |                     |                     |
| Non-Depreciable                                    | -                          | -                           | -                   | 70,000              |
| Depreciable(net)                                   | -                          | -                           | -                   | 1,583,572           |
| Total Capital Assets                               | <u>-</u>                   | <u>-</u>                    | <u>-</u>            | <u>1,653,572</u>    |
| Total Assets                                       | <u>\$ 5,331,368</u>        | <u>\$ 1,286,490</u>         | <u>\$ 6,617,858</u> | <u>\$ 1,911,797</u> |
| <b>LIABILITIES:</b>                                |                            |                             |                     |                     |
| Current Liabilities:                               |                            |                             |                     |                     |
| Accounts payable:                                  |                            |                             |                     |                     |
| Vendors  | \$ 111,292                 | \$ 3,213                    | \$ 114,505          | \$ 51,970           |
| Subgrantees  | 1,102,462                  | -                           | 1,102,462           | -                   |
| Notes Payable                                      | -                          | -                           | -                   | 69,954              |
| Accrued liabilities                                | 318,725                    | -                           | 318,725             | -                   |
| Total Current Liabilities                          | <u>1,532,479</u>           | <u>3,213</u>                | <u>1,535,692</u>    | <u>121,924</u>      |
| Long-Term Liabilities:                             |                            |                             |                     |                     |
| Notes Payable                                      | -                          | -                           | -                   | 974,092             |
| Total Long-Term Liabilities                        | <u>-</u>                   | <u>-</u>                    | <u>-</u>            | <u>974,092</u>      |
| Total Liabilities                                  | <u>1,532,479</u>           | <u>3,213</u>                | <u>1,535,692</u>    | <u>1,096,016</u>    |
| <b>NET ASSETS:</b>                                 |                            |                             |                     |                     |
| Restricted:  |                            |                             |                     |                     |
| Restricted by grantor agencies                     | -                          | 1,283,277                   | 1,283,277           | -                   |
| Invested in capital assets,<br>net of related debt | -                          | -                           | -                   | 709,526             |
| Unrestricted                                       | 3,798,889                  | -                           | 3,798,889           | 106,255             |
| Total Net Assets                                   | <u>\$ 3,798,889</u>        | <u>\$ 1,283,277</u>         | <u>\$ 5,082,166</u> | <u>\$ 815,781</u>   |

The accompanying notes are an  
integral part of the basic financial statements.  
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

| Function/Program              | Expenses     | Indirect Expenses Allocation | Program Revenues     |                                    | Net (Expense) Revenue and Change in Net Assets |                          |              | Component Unit |
|-------------------------------|--------------|------------------------------|----------------------|------------------------------------|--|--------------------------|--------------|----------------|
|                               |              |                              | Charges for Services | Operating Grants and Contributions | Primary Government                             |                          |              |                |
|                               |              |                              |                      |                                    | Governmental Activities                        | Business-type Activities | Total        |                |
| <b>Government activities:</b> |              |                              |                      |                                    |  |                          |              |                |
| Workforce Investment Act      | \$ 7,323,613 | \$ 373,067                   | \$ -                 | \$ 7,696,680                       | \$ -   | \$ -                     | \$ -         | \$ -           |
| ARRA-TANF                     | 7,575,850    | -                            | -                    | 7,575,850                          | -  | -                        | -            | -              |
| Aging                         | 2,361,087    | 448,854                      | -                    | 2,702,247                          | (107,694)                                      | -                        | (107,694)    | -              |
| 911 Public Safety Mapping     | 285          | 36                           | -                    | 185                                | (136)  | -                        | (136)        | -              |
| JFA                           | 334,618      | 132,841                      | -                    | 307,819                            | (159,640)                                      | -                        | (159,640)    | -              |
| Transportation                | 83,623       | 33,484                       | -                    | 86,949                             | (30,158)                                       | -                        | (30,158)     | -              |
| Title IX RLF                  | 9,328        | 2,319                        | -                    | 11,538                             | (109)  | -                        | (109)        | -              |
| State Road Data Collection    | 7,500        | 2,713                        | -                    | 11,891                             | 1,678  | -                        | 1,678        | -              |
| KIA Wris Planning             | 75,301       | 30,825                       | -                    | 104,000                            | (2,126)  | -                        | (2,126)      | -              |
| Homeland Security Programs    | 38,867       | 15,577                       | -                    | 39,845                             | (14,599)                                       | -                        | (14,599)     | -              |
| HS Community 911 Mapping      | 16,054       | 5,132                        | -                    | 20,000                             | (1,186)  | -                        | (1,186)      | -              |
| NIMS                          | 2,309        | 973                          | -                    | 3,500                              | 218  | -                        | 218          | -              |
| Local Unrestricted            | 625,185      | 196,281                      | -                    | 1,901,066                          | 1,079,600                                      | -                        | 1,079,600    | -              |
| Administrative Expenses       | 1,242,102    | (1,242,102)                  | -                    | -                                  | -  | -                        | -            | -              |
| Total Governmental Activities | 19,695,722   | -                            | -                    | 20,461,570                         | 765,848  | -                        | 765,848      | -              |
| <b>Business Activities:</b>   |              |                              |                      |                                    |  |                          |              |                |
| Title IX RLF                  | 11,870       | -                            | 40,992               | -                                  | -  | 29,122                   | 29,122       | -              |
| Total Primary Government      | 19,707,592   | -                            | 40,992               | 20,461,570                         | 765,848  | 29,122                   | 794,970      | -              |
| <b>Component Unit:</b>        |              |                              |                      |                                    |  |                          |              |                |
| LCDC                          | 238,160      | -                            | 219,528              | -                                  | -  | -                        | -            | (18,632)       |
| <b>General Revenues:</b>      |              |                              |                      |                                    |  |                          |              |                |
| Local Assessments             | -            | -                            | -                    | -                                  | -  | -                        | -            | -              |
| Investment Income             | -            | -                            | -                    | -                                  | 40,485   | 1,411                    | 41,896       | 2,362          |
| Total General Revenues        | -            | -                            | -                    | -                                  | 40,485   | 1,411                    | 41,896       | (16,270)       |
| Change in Net Assets          | -            | -                            | -                    | -                                  | 806,333  | 30,533                   | 836,866      | (16,270)       |
| Net Assets July 1, 2010       | -            | -                            | -                    | -                                  | 2,992,556                                      | 1,252,744                | 4,245,300    | 832,051        |
| Net Assets June 30, 2011      | -            | -                            | -                    | -                                  | \$ 3,798,889                                   | \$ 1,283,277             | \$ 5,082,166 | \$ 815,781     |

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT  
June 30, 2011**

|  | GOVERNMENTAL FUND TYPES |                                      |                                |                          |                     | COMPONENT<br>UNIT<br>LAKE CUMBERLAND<br>DEVELOPMENT<br>COUNCIL |
|--|-------------------------|--------------------------------------|--------------------------------|--------------------------|---------------------|--|
|  | INTERNAL<br>FUND        | SPECIAL REVENUE                      |                                |                          | TOTAL               |  |
|  |                         | JFA STATE AND<br>FEDERAL<br>PROGRAMS | WORKFORCE<br>INVESTMENT<br>ACT | ARRA<br>TANF<br>WORK NOW |                     |  |
| ASSETS:  |                         |                                      |                                |                          |                     |  |
| Cash   | \$ 2,468,599            | \$ 1,057,941                         | \$ (2,574)                     | \$ -                     | \$ 3,523,966        | \$ 200,247   |
| Accounts receivable:                               |                         |                                      |                                |                          |                     |  |
| Federal and state contributions                    | 305,532                 | 482,161                              | 845,138                        | 21,576                   | 1,654,407           | -  |
| Other  | 52,785                  | -                                    | -                              | -                        | 52,785              | 57,978   |
| Prepaid expenses                                   | -                       | 100,210                              | -                              | -                        | 100,210             | -  |
| Due from JFA and Federal programs                  | 972,386                 | -                                    | -                              | -                        | 972,386             | -  |
| Investment in fixed assets                         | -                       | -                                    | -                              | -                        | -                   | 1,653,572  |
|  | <u>\$ 3,799,302</u>     | <u>\$ 1,640,312</u>                  | <u>\$ 842,564</u>              | <u>\$ 21,576</u>         | <u>\$ 6,303,754</u> | <u>\$ 1,911,797</u>  |
| LIABILITIES:                                       |                         |                                      |                                |                          |                     |  |
| Accounts payable:                                  |                         |                                      |                                |                          |                     |  |
| Vendors  | \$ -                    | \$ 89,716                            | \$ -                           | \$ 21,576                | \$ 111,292          | \$ 51,970  |
| Subgrantees  | -                       | 259,485                              | 842,977                        | -                        | 1,102,462           | -  |
| Notes Payable                                      | -                       | -                                    | -                              | -                        | -                   | 69,954   |
| Accrued Payroll                                    | -                       | 150,673                              | -                              | -                        | 150,673             | -  |
| Accrued vacation                                   | -                       | 168,052                              | -                              | -                        | 168,052             | -  |
| Due to local operations                            | -                       | 972,386                              | -                              | -                        | 972,386             | -  |
| Total Current Liabilities                          | <u>-</u>                | <u>1,640,312</u>                     | <u>842,977</u>                 | <u>21,576</u>            | <u>2,504,865</u>    | <u>121,924</u>   |
| Long-Term Liabilities:                             |                         |                                      |                                |                          |                     |  |
| Notes payable                                      | -                       | -                                    | -                              | -                        | -                   | 974,092  |
| Total Long Term Liabilities                        | <u>-</u>                | <u>-</u>                             | <u>-</u>                       | <u>-</u>                 | <u>-</u>            | <u>974,092</u>   |
| Fund Balance:                                      |                         |                                      |                                |                          |                     |  |
| Nonspendable                                       | 972,386                 |                                      |                                |                          | 972,386             |  |
| Restricted:  |                         |                                      |                                |                          |                     |  |
| Invested in capital assets,<br>net of related debt |                         |                                      |                                |                          |                     | 709,526  |
| Unassigned   | <u>2,826,916</u>        | <u>-</u>                             | <u>(413)</u>                   | <u>-</u>                 | <u>2,826,503</u>    | <u>106,255</u>   |
| Total Fund Balance                                 | <u>3,799,302</u>        | <u>-</u>                             | <u>(413)</u>                   | <u>-</u>                 | <u>3,798,889</u>    | <u>815,781</u>   |
|  | <u>\$ 3,799,302</u>     | <u>\$ 1,640,312</u>                  | <u>\$ 842,564</u>              | <u>\$ 21,576</u>         | <u>\$ 6,303,754</u> | <u>\$ 1,911,797</u>  |

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

|  |                     |
|--|---------------------|
| Fund balances - total governmental funds | <u>\$ 3,798,889</u> |
| Net assets of governmental activities    | <u>\$ 3,798,889</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, 2011**

|   | <u>Internal<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Totals</u>       | <u>Component<br/>Unit</u> |
|---|--------------------------|-------------------------------------|---------------------|---------------------------|
| <b>Revenues:</b>  |                          |                                     |                     |                           |
| Federal and state grants  | \$ -                     | \$ 18,419,983                       | \$ 18,419,983       | \$ -                      |
| Member dues   | -                        | -                                   | -                   | -                         |
| Local contributed cash  | -                        | -                                   | -                   | -                         |
| CDO Program Administration  | 1,410,322                | -                                   | 1,410,322           |                           |
| Other   | <u>531,120</u>           | <u>140,630</u>                      | <u>671,750</u>      | <u>221,890</u>            |
| Total Revenues  | <u>1,941,442</u>         | <u>18,560,613</u>                   | <u>20,502,055</u>   | <u>221,890</u>            |
| <b>Expenditures:</b>  |                          |                                     |                     |                           |
| Current programs:   |                          |                                     |                     |                           |
| JFA   | -                        | 334,618                             | 334,618             | -                         |
| Aging   | -                        | 2,361,087                           | 2,361,087           | -                         |
| 911 Public Safety Mapping   | -                        | 285                                 | 285                 | -                         |
| Transportation  | -                        | 83,623                              | 83,623              | -                         |
| State Road Data Collection  | -                        | 7,500                               | 7,500               | -                         |
| Title IX RLF  | -                        | 9,328                               | 9,328               | -                         |
| Homeland Security Programs  | -                        | 38,867                              | 38,867              | -                         |
| WIA   | -                        | 7,323,613                           | 7,323,613           | -                         |
| ARRA-TANF   | -                        | 7,575,850                           | 7,575,850           | -                         |
| CDO   | 533,527                  | -                                   | 533,527             | -                         |
| HS Community 911 Mapping  | -                        | 16,055                              | 16,055              | -                         |
| NIMS  | -                        | 2,309                               | 2,309               | -                         |
| KIA Wris Planning   | -                        | 75,301                              | 75,301              | -                         |
| Internal  | <u>91,657</u>            | <u>-</u>                            | <u>91,657</u>       | <u>238,160</u>            |
|   | 625,184                  | 17,828,436                          | 18,453,620          | 238,160                   |
| Indirect costs allocated  | <u>196,280</u>           | <u>1,045,822</u>                    | <u>1,242,102</u>    | <u>-</u>                  |
| Total Expenditures  | <u>821,464</u>           | <u>18,874,258</u>                   | <u>19,695,722</u>   | <u>238,160</u>            |
| Excess of Revenues over<br>(under) Expenditures                   | 1,119,978                | (313,645)                           | 806,333             | (16,270)                  |
| Other financing sources:  |                          |                                     |                     |                           |
| Operating transfers in (out)                                      | <u>(314,058)</u>         | <u>314,058</u>                      | <u>-</u>            | <u>-</u>                  |
| Excess of revenues and other<br>sources over (under) expenditures | 805,920                  | 413                                 | 806,333             | (16,270)                  |
| Fund balance , July 1, 2010                                       | <u>2,992,969</u>         | <u>(413)</u>                        | <u>2,992,556</u>    | <u>832,051</u>            |
| Fund balance , June 30, 2011                                      | <u>\$ 3,798,889</u>      | <u>\$ -</u>                         | <u>\$ 3,798,889</u> | <u>\$ 815,781</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 STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES AND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**For the Year Ended June 30, 2011**

|   |                   |
|---|-------------------|
| Net changes in fund balances - total government funds | <u>\$ 806,333</u> |
| Change in net assets of governmental activities       | <u>\$ 806,333</u> |

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**BALANCE SHEET- PROPRIETARY FUNDS**  
**June 30, 2011**

|                   | <b>TITLE IX<br/>LOAN<br/>FUND</b> |
|-------------------|-----------------------------------|
|                   | <u>                    </u>       |
| ASSETS:           |                                   |
| Cash              | \$ 520,737                        |
| Notes receivable  | <u>765,753</u>                    |
|                   | <u>1,286,490</u>                  |
| LIABILITIES:      |                                   |
| Accounts payable: |                                   |
| Vendors           | <u>3,213</u>                      |
| NET ASSETS:       | <u>\$ 1,283,277</u>               |

**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, 2011**

|  |                         |
|--|-------------------------|
| Revenues:  |                         |
| Interest income - loans                          | \$ 33,549               |
| Bad Debt Recoveries                              | 4,632                   |
| Application and Processing Fee Income            | <u>2,811</u>            |
| <br>Total Revenues                               | <br><u>40,992</u>       |
| Expenditures:                                    |                         |
| Administrative Expenses                          | 11,645                  |
| Legal and Other Fees                             | <u>225</u>              |
| <br>Total Expenditures                           | <br><u>11,870</u>       |
| <br>Operating Revenues Over (Under) Expenditures | <br>29,122              |
| <br>Interest Income, Savings                     | <br><u>1,411</u>        |
| <br>Revenues Over (Under) Expenditures           | <br>30,533              |
| <br>Fund Balance, June 30, 2010                  | <br><u>1,252,744</u>    |
| <br>Fund Balance, June 30, 2011                  | <br><u>\$ 1,283,277</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, 2011**

|                                    |                   |
|------------------------------------|-------------------|
| Revenues:                          |                   |
| Office Rent and Automobile lease   | \$ 218,528        |
| Other income                       | <u>1,000</u>      |
| Total Revenue                      | <u>219,528</u>    |
|                                    |                   |
| Expenditures:                      |                   |
| Depreciation                       | 122,049           |
| Maintenance                        | 13,150            |
| Insurance                          | 57,971            |
| Supplies                           | 1,725             |
| Other                              | <u>12,550</u>     |
| Total Operating Expenditures       | <u>207,445</u>    |
| Operating Income                   | <u>12,083</u>     |
|                                    |                   |
| Interest expense                   | (30,715)          |
| Interest Income on Investments     | <u>2,362</u>      |
| Revenues Over (Under) Expenditures | (16,270)          |
|                                    |                   |
| Fund Balance July 1, 2010          | <u>832,051</u>    |
|                                    |                   |
| Fund Balance June 30, 2011         | <u>\$ 815,781</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, 2011**

|  | <b>PRIMARY<br/>GOVERNMENT<br/>TITLE IX<br/>LOAN FUND</b> | <b>COMPONENT<br/>UNIT</b> |
|--|--|---------------------------|
| INCREASE (DECREASE) IN CASH :                                  |  |                           |
| CASH FLOWS FROM OPERATIONS:                                    |  |                           |
| Interest earned on loans                                       | \$ 33,549  | \$ -                      |
| Fees and other   | 7,443  | 1,000                     |
| Administrative expenses  | (12,208)   | -                         |
| Building and equipment rentals                                 | -  | 169,471                   |
| Payments to vendors  | -  | (85,921)                  |
| NET CASH PROVIDED (USED) BY OPERATING<br>ACTIVITIES            | <u>28,784</u>  | <u>84,550</u>             |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:               |  |                           |
| Loans  | (230,000)  | -                         |
| Repayments on loans  | 256,287  | -                         |
| NET CASH PROVIDED (USED) BY NONCAPITAL<br>FINANCING ACTIVITIES | <u>26,287</u>  | <u>-</u>                  |
| CASH FLOWS FROM INVESTING ACTIVITIES:                          |  |                           |
| Interest income  | 1,411  | 2,362                     |
| CASH FLOWS FROM CAPITAL AND RELATED<br>FINANCING ACTIVITIES :  |  |                           |
| Addition to property and equipment                             | -  | (21,679)                  |
| Payments on loans  | -  | (63,881)                  |
| Interest on loans  | -  | (30,715)                  |
| CASH FLOWS FROM CAPITAL AND RELATED<br>FINANCING ACTIVITIES    | <u>-</u>   | <u>(116,275)</u>          |
| NET CHANGE IN CASH   | 56,482   | (29,363)                  |
| CASH AT BEGINNING OF YEAR                                      | 464,255  | 229,610                   |
| CASH AT END OF YEAR  | <u>\$ 520,737</u>  | <u>\$ 200,247</u>         |
| Classified As:   |  |                           |
| Current Assets   | 520,737  | 200,247                   |
| Restricted Assets  | -  | -                         |
| Total  | <u>\$ 520,737</u>  | <u>\$ 200,247</u>         |

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, 2011**

|  | <b>PRIMARY<br/>GOVERNMENT<br/>TITLE IX<br/>LOAN FUND</b> | <b>COMPONENT<br/>UNIT</b> |
|--|--|---------------------------|
| Reconciliation of Operating Income ( Loss)<br>to Net Cash Provided By (Used In)<br>Operating Activities: |  |                           |
| Operating Income (Loss)  | <u>\$ 29,122</u>   | <u>\$ 12,083</u>          |
| Adjustments not Affecting Cash:  |  |                           |
| Depreciation   | -  | 122,049                   |
| Change in Assets and Liabilities:  |  |                           |
| (Increase) Decrease in Accounts Receivable   | -  | (49,057)                  |
| Increase (Decrease) in Accounts Payable  | <u>(338)</u>   | <u>(525)</u>              |
| Total Adjustments  | <u>(338)</u>   | <u>72,467</u>             |
| Net Cash Provided By (Used In)<br>Operating Activities   | <u>\$ 28,784</u>   | <u>\$ 84,550</u>          |

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**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 November 22, 2011 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, 2011**

**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 other agencies 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 primarily for the 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 is 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, 2011**

**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.

**Fund Balance Classification:**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified amounts due from JFA and other Federal programs as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2011**

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

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified the JFA State and Federal Program and the Revolving Loan fund as being restricted because their use is restricted by the Grantors for specific program expenditures or making qualified loans under the grant agreements.

Unassigned: Includes all amounts not included in other spendable classifications.

**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.

**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.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2011**

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

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, 2011. 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.

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, 2011, depreciation expense of \$122,049 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.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2011**

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

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 \$207,729 in rentals for the year ended June 30, 2011. 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, 2011**

**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, 2011.

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.

|                                       | Category     |      |       | Total Bank<br>Balance | Carrying<br>Amount |
|---------------------------------------|--------------|------|-------|-----------------------|--------------------|
|                                       | One          | Two  | Three |                       |                    |
| Deposits with financial institutions: |              |      |       |                       |                    |
| Primary Government                    | \$ 4,351,447 | \$ - | \$ -  | \$ 4,351,447          | \$ 4,044,703       |
| Component Unit                        | 203,843      | -    | -     | 203,843               | 200,247            |
|                                       | \$ 4,555,290 | \$ - | \$ -  | \$ 4,555,290          | \$ 4,244,950       |

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, 2011**

**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, 16.93%, for the year ended June 30, 2011. For the year ended June 30, 2011, the Company's covered payroll was approximately \$2,700,000. The Company contributed approximately \$457,623 and employees contributed approximately \$138,954 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<br>June 30, 2010 | CERS as of<br>June 30, 2009 | CERS as of<br>June 30, 2008 |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Actuarial Value of Assets         | \$ 7,296,321,679            | \$ 7,402,277,531            | \$ 7,482,369,811            |
| Actuarial Accrued Liability (AAL) | <u>11,131,174,187</u>       | <u>10,491,358,112</u>       | <u>9,707,339,786</u>        |
| Unfunded (Overfunded)             | <u>\$ 3,834,852,508</u>     | <u>\$ 3,089,080,581</u>     | <u>\$ 2,224,969,975</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</b>     |                         |                           |
|--------------------------|-------------------------------------|-------------------------|---------------------------|
|                          | Annual<br>Required<br>Contributions | Actual<br>Contributions | Percentage<br>Contributed |
| June 30, 2010            | \$ 658,673,827                      | \$ 539,612,942          | 81.92%                    |
| June 30, 2009            | \$ 621,644,396                      | \$ 451,983,080          | 72.71%                    |
| June 30, 2008            | \$ 777,658,829                      | \$ 509,303,379          | 65.49%                    |

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.  
 NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED  
 For the Year Ended June 30, 2011**

**5. Retirement Plan, Concluded:**

| <u>Year Ended</u> | <b>Company Contributions</b> |    |                      | <u>Percentage<br/>Contributed</u> |
|-------------------|------------------------------|----|----------------------|-----------------------------------|
|                   | Annual<br>Required           |    | Actual               |                                   |
|                   | <u>Contributions</u>         |    | <u>Contributions</u> |                                   |
| 2011              | \$ 457,623                   | \$ | 457,623              | 100.00%                           |
| 2010              | \$ 407,298                   | \$ | 407,298              | 100.00%                           |
| 2009              | \$ 258,530                   | \$ | 258,530              | 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. 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.

**7. 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

Brentley Bault

Campbell, Myers & Rutledge:

Skip Campbell



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICE**  
**For the Year Ended June 30, 2011**

|  | <u>JFA</u><br><u>Programs</u> | <u>Aging</u>      | <u>WIA</u>       | <u>Trans-</u><br><u>portation</u> |
|--|-------------------------------|-------------------|------------------|-----------------------------------|
| <b>Revenues:</b>   |                               |                   |                  |                                   |
| Federal and state funds:                                     |                               |                   |                  |                                   |
| Received   | \$ 307,819                    | \$ 3,980,744      | \$ 1,672,804     | \$ 78,254                         |
| Receivable   | -                             | -                 | -                | -                                 |
| Deferred revenue (unexpended)                                | -                             | -                 | -                | -                                 |
| Local funds:   |                               |                   |                  |                                   |
| Annual assessments   | -                             | -                 | -                | -                                 |
| Other  | -                             | 131,935           | -                | 8,695                             |
| Applied to programs  | -                             | -                 | -                | -                                 |
|  | <u>307,819</u>                | <u>4,112,679</u>  | <u>1,672,804</u> | <u>86,949</u>                     |
| <b>Expenditures:</b>   |                               |                   |                  |                                   |
| Direct costs:  |                               |                   |                  |                                   |
| Salaries   | 222,786                       | 1,081,799         | 628,881          | 55,969                            |
| Employee benefits  | 87,445                        | 397,892           | 255,319          | 22,334                            |
| Travel   | 7,416                         | 62,690            | 32,694           | 597                               |
| Subgrantees and contracts                                    | -                             | 818,631           | -                | -                                 |
| Other direct costs   | 16,972                        | 533,601           | 382,843          | 4,723                             |
|  | <u>334,618</u>                | <u>2,894,613</u>  | <u>1,299,737</u> | <u>83,623</u>                     |
| <b>Indirect Costs:</b>                                       |                               |                   |                  |                                   |
| Indirect costs applied                                       | <u>132,841</u>                | <u>642,359</u>    | <u>373,067</u>   | <u>33,484</u>                     |
|  | <u>467,459</u>                | <u>3,536,972</u>  | <u>1,672,804</u> | <u>117,107</u>                    |
| <b>Excess (Deficiency) of Revenues<br/>over Expenditures</b> | <u>\$ (159,641)</u>           | <u>\$ 575,707</u> | <u>\$ -</u>      | <u>\$ (30,158)</u>                |
| In-Kind Match  |                               | \$ 43,860         |                  |                                   |



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF AGING OPERATIONS BY PROGRAM**  
**For the Year Ended June 30, 2011**

|   | <b>Title III<br/>Part B, C &amp; E<br/><u>Admin</u></b> | <b>Title III<br/>Part B:<br/>Supportive<br/>Services Includes<br/><u>Case Management</u></b> | <b>Title III<br/>Part F:<br/>Preventive<br/><u>Health</u></b> | <b>Title III<br/>Part C:<br/>Meals<br/><u>C1, C2, HDM</u></b> |
|---|---|--|---|---|
| Revenues:   |   |  |   |   |
| Federal and State funds:                                    |   |  |   |   |
| Received  | \$ 131,060  | \$ 346,102   | \$ 33,265   | \$ 685,190  |
| Receivable  | -   | -  | -   | -   |
| Deferred or (unexpended)                                    | -   | -  | -   | -   |
| Local funds:  |   |  |   |   |
| Other   | -   | -  | -   | 125,938   |
| <b>Total Revenues</b>                                       | <b><u>131,060</u></b>                                   | <b><u>346,102</u></b>  | <b><u>33,265</u></b>  | <b><u>811,128</u></b>   |
| Expenditures:   |   |  |   |   |
| Direct costs:   |   |  |   |   |
| Salaries  | 63,343  | 123,344  | -   | 220,706   |
| Employee benefits   | 22,566  | 57,993   | -   | 75,052  |
| Travel  | 5,977   | 2,295  | -   | 533   |
| Subgrantees and contracts                                   | -   | 88,063   | 33,265  | 7,448   |
| Other direct costs  | 16,137  | 4,802  | -   | 414,422   |
| <b>Total Direct Costs</b>                                   | <b>108,022</b>  | <b>276,497</b>   | <b>33,265</b>   | <b>718,161</b>  |
| Indirect Costs:   |   |  |   |   |
| Indirect costs applied                                      | 38,338  | 73,865   | -   | 132,168   |
| <b>Total Expenditures</b>                                   | <b><u>146,361</u></b>                                   | <b><u>350,362</u></b>  | <b><u>33,265</u></b>  | <b><u>850,329</u></b>   |
| <b>Excess(Deficiency) of Revenues<br/>Over Expenditures</b> | <b><u>\$ (15,301)</u></b>                               | <b><u>\$ (4,260)</u></b>   | <b><u>\$ -</u></b>  | <b><u>\$ (39,201)</u></b>                                     |



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF WIA OPERATIONS BY PROGRAM**  
**For the Year Ended June 30, 2011**

|   | <b><u>WIA</u></b><br><b><u>Adminis-</u></b><br><b><u>tration</u></b> | <b><u>WIA</u></b><br><b><u>Adult Case</u></b><br><b><u>Management</u></b> | <b><u>WIA</u></b><br><b><u>Youth Case</u></b><br><b><u>Management</u></b> | <b><u>WIA</u></b><br><b><u>Dis Worker</u></b><br><b><u>Case Manage</u></b> |
|---|--|---|---|--|
| Revenues:   |  |   |   |  |
| Federal and State funds:                            |  |   |   |  |
| Received  | \$ 493,605   | \$ 504,835  | \$ 116,781  | \$ 238,761   |
| Receivable  | -  | -   | -   | -  |
| Deferred or (unexpended)                            | -  | -   | -   | -  |
| Local Funds   | -  | -   | -   | -  |
| Other   | -  | -   | -   | -  |
|   | <u>493,605</u>   | <u>504,835</u>  | <u>116,781</u>  | <u>238,761</u>   |
| <b>Total Revenues</b>                               | <b><u>493,605</u></b>  | <b><u>504,835</u></b>   | <b><u>116,781</u></b>   | <b><u>238,761</u></b>  |
| Expenditures:                                       |  |   |   |  |
| Direct costs:                                       |  |   |   |  |
| Salaries  | 117,834  | 212,515   | 55,610  | 93,962   |
| Employee benefits                                   | 37,901   | 96,891  | 19,052  | 42,232   |
| Travel  | 14,250   | 9,640   | 152   | 3,442  |
| Subgrantees and contracts                           |  |   |   |  |
| Other direct costs                                  | <u>253,797</u>   | <u>58,552</u>   | <u>9,325</u>  | <u>45,591</u>  |
|   | 423,783  | 377,598   | 84,139  | 185,228  |
| <b>Total Direct Costs</b>                           | <b>423,783</b>   | <b>377,598</b>  | <b>84,139</b>   | <b>185,228</b>   |
| Indirect Costs:                                     |  |   |   |  |
| Indirect costs applied                              | <u>69,822</u>  | <u>127,237</u>  | <u>32,643</u>   | <u>53,534</u>  |
|   | 493,605  | 504,835   | 116,781   | 238,761  |
| <b>Total Expenditures</b>                           | <b><u>493,605</u></b>  | <b><u>504,835</u></b>   | <b><u>116,781</u></b>   | <b><u>238,761</u></b>  |
| Excess(Deficiency) of Revenues<br>Over Expenditures | <u>\$ -</u>  | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>  |

In-Kind Match



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**WIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2011**

|                                    |    |                     |
|------------------------------------|----|---------------------|
| WIA Revenue by Grant               |    |                     |
| WIA-Youth:                         |    |                     |
| 274YT10 -PY09                      | \$ | 532,540             |
| 274YT11 -PY10                      |    | 860,686             |
| 274S9YT ARRA                       |    | 25,071              |
|                                    |    |                     |
| WIA-Adult:                         |    |                     |
| 270AD09 - PY 08                    |    | 112,823             |
| 270AD10- PY-09                     |    | 42,477              |
| 270AD11- PY-10                     |    | 212,312             |
| 273AD10 - FY 10                    |    | 909,900             |
| 273AD11 - FY 11                    |    | 512,406             |
| 270S9AD ARRA 2008                  |    | 57,387              |
|                                    |    |                     |
| WIA-Dislocated Workers:            |    |                     |
| 271DW09 - FY09                     |    | 197,696             |
| 271DW10 - FY10                     |    | 39,957              |
| 271DW11 - FY11                     |    | 693,773             |
| 272DW10 - PY09                     |    | 249,808             |
| 272DW11 - PY10                     |    | 268,938             |
| 272S9DW ARRA                       |    | 917,855             |
|                                    |    |                     |
| 258OJ10 NEG Grant                  |    | 4,260               |
| 258MC11 NEG Grant                  |    | 32,043              |
| 275EP10 NEG Grant                  |    | 391,644             |
| 251PI09 Incentive                  |    | 8,000               |
|                                    |    |                     |
| WIA-Trade:                         |    |                     |
| 205BE09                            |    | 176,805             |
| 205BE10                            |    | 1,446,799           |
|                                    |    |                     |
| JKG                                |    | <u>3,500</u>        |
| Total Revenue                      |    | <u>7,696,680</u>    |
|                                    |    |                     |
| Expenditures:                      |    |                     |
| WIA-Youth:                         |    |                     |
| 274YT10 -PY09                      |    | 532,540             |
| 274YT11 -PY10                      |    | 860,686             |
| 274S9YT ARRA                       |    | 25,071              |
|                                    |    |                     |
| WIA-Adult:                         |    |                     |
| 270AD09 - PY 08                    |    | 112,823             |
| 270AD10- PY-09                     |    | 42,477              |
| 270AD11- PY-10                     |    | 212,312             |
| 273AD10 - FY 10                    |    | 909,900             |
| 273AD11 - FY 11                    |    | 511,591             |
| 270S9AD ARRA 2008                  |    | 57,387              |
|                                    |    |                     |
| WIA-Dislocated Workers:            |    |                     |
| 271DW09 - FY09                     |    | 197,696             |
| 271DW10 - FY10                     |    | 39,957              |
| 271DW11 - FY11                     |    | 693,773             |
| 272DW10 - PY09                     |    | 249,808             |
| 272DW11 - PY10                     |    | 268,938             |
| 272S9DW ARRA                       |    | 917,855             |
|                                    |    |                     |
| 258OJ10 NEG Grant                  |    | 4,260               |
| 258MC11 NEG Grant                  |    | 32,043              |
| 275EP10 NEG Grant                  |    | 391,644             |
| 251PI09 Incentive                  |    | 8,000               |
|                                    |    |                     |
| WIA-Trade:                         |    |                     |
| 205BE09                            |    | 176,805             |
| 205BE10                            |    | 1,446,799           |
|                                    |    |                     |
| JKG                                |    | <u>4,315</u>        |
| Total Expenditures                 |    | <u>\$ 7,696,680</u> |
|                                    |    |                     |
| Revenues Over (Under) Expenditures |    | <u>\$ -</u>         |

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**TANF Work Now Program**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2011**

|                                   |                     |
|-----------------------------------|---------------------|
| Revenues:                         |                     |
| Grant Revenues                    | <u>\$ 9,679,540</u> |
| Expenditures:                     |                     |
| Salaries and wages                | 6,294,005           |
| Payroll taxes                     | 486,567             |
| Contracts                         | 750,961             |
| Insurance, Workman's Compensation | 44,317              |
| Administrative expenses           | <u>53,635</u>       |
|                                   | <u>7,629,485</u>    |
| Revenue over(under) expenditures  | <u>2,050,055</u>    |
| Fund Balance July 1, 2010         | -                   |
| Excess funds returned to Grantor  | (2,050,055)         |
| Fund Balance June 30, 2011        | <u><u>\$ -</u></u>  |

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



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**CONSUMER DIRECTED OPTIONS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2011**

|  |                               |
|--|-------------------------------|
| Revenues:                              |                               |
| Consumer grants                        | <u>\$ 1,565,813</u>           |
| <br>Total Revenue                      | <br><u>1,565,813</u>          |
| Expenditures:                          |                               |
| Client Services                        | 1,435,042                     |
| Goods and services                     | 115,308                       |
| Respite SCL Waiver                     | <u>5,041</u>                  |
| <br>Total Expenditures                 | <br><u>1,555,391</u>          |
| <br>Revenues Over (Under) Expenditures | <br>10,422                    |
| <br>Fund Balance July 1, 2010          | <br><u>(41,770)</u>           |
| <br>Fund Balance June 30, 2011         | <br><u><u>\$ (31,348)</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, 2010 to June 30, 2011**

|  | <u>BUDGET</u>  | <u>DIRECT</u>      | <u>INDIRECT</u>     | <u>TOTAL</u>        | ACTUAL<br>OVER(UNDER)<br><u>BUDGET</u> |
|--|----------------|--------------------|---------------------|---------------------|--|
| Revenues:  |                |                    |                     |                     |  |
| Federal  | \$ 179,010     | \$ 179,009         | \$ -                | \$ 179,009          | \$ (1)                                 |
| State  | 131,760        | 128,810            | -                   | 128,810             | (2,950)                                |
| Local funds  | <u>-</u>       | <u>-</u>           | <u>-</u>            | <u>-</u>            | <u>-</u>                               |
|  | <u>310,770</u> | <u>307,819</u>     | <u>-</u>            | <u>307,819</u>      | <u>(2,951)</u>                         |
| Expenditures:  |                |                    |                     |                     |  |
| Community and Economic<br>Development EDA (120)      | 37,800         | 43,666             | 17,770              | 61,436              | (23,636)                               |
| Community and Economic<br>Development (125)          | 33,446         | 50,655             | 19,015              | 69,670              | (36,224)                               |
| Community and Economic<br>Development (130)          | 198,574        | 184,757            | 74,356              | 259,113             | (60,539)                               |
| Management Assistance (140)                          | 25,987         | 39,543             | 14,562              | 54,105              | (28,118)                               |
| Program Administration (150)                         | <u>14,963</u>  | <u>15,997</u>      | <u>7,139</u>        | <u>23,136</u>       | <u>(8,173)</u>                         |
|  | <u>310,770</u> | <u>334,618</u>     | <u>132,842</u>      | <u>467,460</u>      | <u>(156,690)</u>                       |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>\$ -</u>    | <u>\$ (26,799)</u> | <u>\$ (132,842)</u> | <u>\$ (159,641)</u> | <u>\$ (159,641)</u>                    |

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, 2011**

|                                | <u>Costs<br/>Claimed</u> | <u>Costs<br/>Allowed</u> | <u>Questioned<br/>Costs</u> |
|--------------------------------|--------------------------|--------------------------|-----------------------------|
| Salaries                       | \$ 269,779               | \$ 269,779               | \$ -                        |
| Personnel Burden               | 508,751                  | 508,751                  | -                           |
| Travel staff and board         | 45,370                   | 45,370                   | -                           |
| Equipment maintenance and rent | 87,748                   | 87,748                   | -                           |
| Building rentals               | 159,412                  | 159,412                  | -                           |
| Meeting expenses               | 9,497                    | 9,497                    | -                           |
| Utilities and telephone        | 19,711                   | 19,711                   | -                           |
| Janitorial expenses            | 21,144                   | 21,144                   | -                           |
| Dues and memberships           | 17,490                   | 17,490                   | -                           |
| Printing and publications      | 4,536                    | 4,536                    | -                           |
| Supplies                       | 28,290                   | 28,290                   | -                           |
| Insurance                      | 30,412                   | 30,412                   | -                           |
| Postage                        | 7,530                    | 7,530                    | -                           |
| Other                          | <u>32,432</u>            | <u>32,432</u>            | <u>-</u>                    |
|                                | <u>\$ 1,242,102</u>      | <u>\$ 1,242,102</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, 2011**

|   | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>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>                     |  |                                    |                                 |
| Programs for Aging Title III:                                   |  |                                    |                                 |
| Title III - B Administration                                    | 09-11891                                     | 93.044                             | \$ 90,272                       |
| Part B: Supportive Services                                     | 09-11891                                     | 93.044                             | 282,789                         |
| Part C: Nutrition Services                                      | 09-11891                                     | 93.045                             | 472,023                         |
| Nutrition Services Incentive Program (USDA)                     | 09-11891                                     | 93.053                             | 66,951                          |
| Total Aging Cluster   |  |                                    | <u>912,035</u>                  |
| Part F: Disease Prevention                                      | 09-11891                                     | 93.043                             | 19,059                          |
| National Family Caregiver Support                               | 09-11891                                     | 93.052                             | 131,581                         |
| Center for Medicare & Medicaid Services (SHIP)                  | 09-11891                                     | 93.779                             | 37,595                          |
| Medicare Improvements for Patient's & Providers (MIPPA)         | 09-11891                                     | 93.779                             | 27,519                          |
| Programs for Aging Title VII:                                   |  |                                    |                                 |
| Ombudsman   | 09-11891                                     | 93.042                             | 5,236                           |
| Elder Abuse   | 09-11891                                     | 93.041                             | 3,236                           |
|   |  |                                    | <u>1,136,261</u>                |
| <br>  |  |                                    |                                 |
| <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>7,629,485</u>                |
| <br>  |  |                                    |                                 |
| <b>US Department of Commerce:</b>                               |  |                                    |                                 |
| Revolving Loan Fund (1)   |  | 11.300                             | <u>882,781</u>                  |
| <br>  |  |                                    |                                 |
| <b>Federal Dept of Homeland Security</b>                        |  |                                    |                                 |
| <b>Ky Office of Homeland Security</b>                           |  |                                    |                                 |
| Pre - Disaster Mitigation                                       |  | 97.047                             | 39,845                          |
| National Incident Management Systems                            | M-06189044                                   | 97.004                             | 3,500                           |
|   |  |                                    | <u>43,345</u>                   |
| <br>  |  |                                    |                                 |
| <b>Department of Commerce/Joint Funding Administration</b>      |  |                                    |                                 |
| <b>Governor's Office for Local Development:</b>                 |  |                                    |                                 |
| Appalachian Regional Commission (ARC)                           |  | 23.009                             | 99,287                          |
| Economic Development Technical Assistance (JFA-EDA)             |  | 11.303                             | 30,240                          |
| CDBG - Technical Assistance Program (JFA-CDBG)                  |  | 14.227                             | 16,723                          |
|   |  |                                    | <u>146,250</u>                  |
| <br>  |  |                                    |                                 |
| <b>Department of Transportation</b>                             |  |                                    |                                 |
| <b>Kentucky Transportation Cabinet</b>                          |  |                                    |                                 |
| Highway Inventory Data Collection Program ARRA                  |  | 20.205                             | 9,513                           |
| Local Road Updates ARRA   |  | 20.205                             | 16,000                          |
|   |  |                                    | <u>25,513</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, 2011**

**DOL, Education Cabinet, Office of Employment and Training**

**Division of Workforce Services:**

WIA-Youth:

|                   |            |        |         |
|-------------------|------------|--------|---------|
| 274YT10 - PY 09   | M-04127521 | 17.259 | 532,540 |
| 274YT11 - PY 10   | M-04127521 | 17.259 | 860,686 |
| 274SRYT ARRA 2008 | M-04127521 | 17.259 | 25,071  |

WIA-Adult:

|                   |            |        |         |
|-------------------|------------|--------|---------|
| 270AD09 - PY 08   | M-04127521 | 17.258 | 112,823 |
| 270AD10 - PY 09   | M-04127521 | 17.258 | 42,477  |
| 270AD11- PY-10    | M-04127521 | 17.258 | 212,312 |
| 273AD10 - FY-10   | M-04127521 | 17.258 | 909,900 |
| 273AD11 - FY-11   | M-04127521 | 17.258 | 512,406 |
| 270S9AD ARRA 2008 | M-04127521 | 17.258 | 57,387  |

WIA-Dislocated Workers:

|                   |            |        |         |
|-------------------|------------|--------|---------|
| 271DW09 - FY09    | M-04127521 | 17.260 | 197,695 |
| 271DW10 - FY10    | M-04127521 | 17.260 | 39,957  |
| 271DW11 - FY11    | M-04127521 | 17.278 | 693,773 |
| 272DW10 - PY09    | M-04127521 | 17.260 | 249,808 |
| 272DW11 - PY10    | M-04127521 | 17.260 | 268,938 |
| 272S9DW ARRA 2008 | M-04127521 | 17.260 | 917,855 |
| 258OJ10 NEG Grant | M-04127521 | 17.260 | 4,260   |
| 258MC11 NEG Grant | M-04127521 | 17.277 | 32,043  |

JAG

Total WIA Cluster

|        |                  |
|--------|------------------|
| 17.260 | 3,500            |
|        | <u>5,673,431</u> |

|  |            |        |                  |
|--|------------|--------|------------------|
| 275EP10 State Energy Sector Partnership Grant ARRA | M-04127521 | 17.275 | 391,644          |
| 251PI09 Incentive                                  | M-04127521 | 17.267 | 8,000            |
| Trade Adjustment Assistance                        |            |        |                  |
| 205BE09  | M-04127521 | 17.245 | 176,806          |
| 205BE10  | M-04127521 | 17.245 | 1,446,799        |
|  |            |        | <u>7,696,680</u> |

Total Federal Financial Assistance \$ 17,560,315

**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, 2011**

**Note 2**  
**SUBRECEIPIENTS**

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

Program for Aging Title III

|                    |        |    |        |
|--------------------|--------|----|--------|
| Support            | 93.044 | \$ | 75,525 |
| Disease Prevention | 93.043 |    | 20,092 |

Workforce Investment Act

|                   |        |           |
|-------------------|--------|-----------|
| Youth             | 17.259 | 1,153,346 |
| Adult             | 17.258 | 1,490,268 |
| Dislocated Worker | 17.260 | 1,948,491 |
| Trade             | 17.245 | 1,623,470 |

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes  No

Identification of major programs:

|                             |                        |
|-----------------------------|------------------------|
| WIA Cluster                 | 17.258, 17.260, 17.259 |
| Trade Adjustment Assistance | 17.245                 |
| TANF-ARRA                   | 93.558                 |
| SESPG-ARRA                  | 17.275                 |

Dollar threshold used to distinguish Between type A and type B programs:

\$500,326

Auditee qualified as low-risk auditee?

Yes  No

# CAMPBELL, MYERS & RUTLEDGE, PLLC

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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, KY

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, 2011, which collectively comprise Lake Cumberland Area Development District's basic financial statements and have issued our report thereon dated November 22, 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 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 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 & Rutledge, PLLC*

November 22, 2011

# 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, KY

### 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, 2011. 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.

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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### 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 to determine the 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 & Rutledge, PLLC*

November 22, 2011

