

LAKE CUMBERLAND AREA  
DEVELOPMENT DISTRICT, INC.

Report on Audit of  
Financial Statements  
and Supplementary Information  
For the Year Ended June 30, 2013



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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Cumberland Area Development District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of 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* in considering Lake Cumberland Area Development District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky

December 2, 2013

## 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, 2013 and 2012. 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 Position increased by \$447,110 or 7.88%. The increase in Net Position 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 \$4,807,599 compared to the prior year fund balance of \$4,378,965. This shows an increase of \$428,364 during the current year, a 9.79% increase.
- The revenues for the current year increased from the prior year by a little over \$304,000. This Increase was a result of increased revenues principally from the WIA programs.
- Operating revenues increased by 2.65% from the previous year and operating expenditures increased by 4.14%.

### 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 Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Increases or decreases in Net Position 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 Position 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 Position between June 30, 2013 and June 30, 2012.

	<u>2013</u>	<u>2012</u>	<u>% increase (decrease)</u>
Current Assets	\$ 7,457,826	\$ 6,867,957	8.59%
Total Assets	<u>\$ 7,457,826</u>	<u>\$ 6,867,957</u>	<u>8.59%</u>
Current Liabilities	\$ 1,335,681	\$ 1,192,922	11.97%
Total Liabilities	<u>\$ 1,335,681</u>	<u>\$ 1,192,922</u>	<u>11.97%</u>
Net Position	<u>\$ 6,122,145</u>	<u>\$ 5,675,035</u>	<u>7.88%</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 net position between fiscal years 2013 and 2012.

	<u>2013</u>	<u>2012</u>	<u>% increase (decrease)</u>
<b>Operating Revenues</b>			
Grants	\$ 10,018,110	\$ 9,669,829	3.60%
Interest Income	25,470	29,834	-14.63%
Local	<u>1,743,604</u>	<u>1,782,908</u>	<u>-2.20%</u>
Total Operating Revenue	<u>11,787,184</u>	<u>11,482,571</u>	<u>2.65%</u>
<b>Operating Expenses</b>			
Program Activities	10,440,370	10,140,302	2.96%
Local	<u>899,704</u>	<u>749,401</u>	<u>20.06%</u>
Total Operating Expenses	<u>11,340,074</u>	<u>10,889,703</u>	<u>4.14%</u>
<b>Change in Net Position</b>	<u>\$ 447,110</u>	<u>\$ 592,868</u>	<u>-24.59%</u>

### Overall Financial Analysis

Net Position 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 \$120,800 from FY-12 to FY-13. In addition to the yearly increases of the normal operating expenses we have hired three more Support Brokers for the Consumer Directed Option Program (CDO). 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 had minimal capital asset additions for the year.

## 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 \$1,327,777 in FY-12 to \$1,219,071 in FY-13. This is a \$108,706 decrease or 8.2%. WIA formula funding for Dislocated Workers decreased from \$993,356 in FY-12 to \$891,006 in FY-13. This is a \$102,350 decrease or 10.7%. WIA formula funding for Youth decreased from \$1,134,283 in FY-12 to \$943,597 in FY-13. This is a \$190,686 decrease or 16.8%. Trade funding decreased from \$1,364,000 in FY-12 to \$1,150,000 in FY-13. This is a decrease of \$214,000 or 15.7%. The Adult funding amount was lower than the PY-12 WIA funding cuts by Congress and 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 and Trade funding decreased due to the number of dislocations slowing in our area in comparison to the other areas in the state. Youth funding decreased due to funding cuts by Congress. FY-14 funding for Adults, Dislocated Worker and Youth will again decrease due to the sequestration of Federal funds from the Federal budget. Trade funding should be level after reviewing the number of enrollees and projected obligations. \$90,100 in Rapid Response Additional Assistance Funds was received to assist in a layoff aversion project for a local business.

Rapid Response and Statewide Reserve Funds were received in the amount of \$220,000 for Trade Case Management.

Due to an unexpected denial by USDOL to extend a statewide National Emergency Grant (NEG) to serve and train Dislocated Workers using OJT's, \$147,789 was rescinded.

Statewide Reserve Funds were awarded three times to help implement the plans of the Kentucky Workforce Investment Board. The \$5,625 was used for Business Services Training, Work Ready Community Summit and Website construction as part of the Branding initiative.

The Cumberlands WIA received no funds during FY-13 for meeting performance measurements due to a budget shift by Congress.

Additional NEG Multi Company funds were awarded amounting to \$130,000 to serve Dislocated Workers.

Additional State Energy Sector Partnership (SESP) funds were awarded amounting to \$872,464 to continue the extended SESP program for an additional eight months.

The Workforce Department staff experienced no changes during FY-13.

### **Planning Department**

During FY-13, the LCADD Planning Department had an income totaling \$194,854 through contracts with the Kentucky Transportation Cabinet, the City of Liberty, and the Kentucky Infrastructure Authority. Current contracts for FY-14 total \$224,983, a 15.5% increase from last year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

These contracts are as follows:

Transportation Planning	\$78,067
Water and Wastewater Planning	102,750
Local Road Updates	7,000
Ag Asset Mapping	35,666
Local Contracts	<u>1,500</u>
Total:	<u>\$224,983</u>

With this slight increase 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 on phone duty to share costs. Staff is currently working on acquiring other outside contracts to increase departmental revenues throughout the fiscal year.

### **Aging and Independent Living**

During FY-13, the Department for Aging and Independent Living received cuts in most federal programs such as Title III-B, C1 Congregate Meals, C2 Home Delivered Meals, 3-D Disease Prevention, Elder Abuse, 3-E National Caregiver and Kentucky Caregiver, Title VII Ombudsman and the State Long Term Care Ombudsman. We did learn the State Long Term Care Ombudsman funding from the Civil Monetary Penalties will end in December 2014 unless another funding stream is located. The state-funded Homecare and Adult Day Care Programs also received cuts in FY-13.

The Consumer Directed Option (CDO) program continues to grow. Three (3) new full-time support brokers have been hired in the past year. There were a total of 519 unduplicated CDO clients served on the program during the past fiscal year.

At the beginning of FY-14, or July 1<sup>st</sup>, the Department experienced an automatic average cut of 6.506% cut in federal funds due to the sequestration. Actual cuts, by program, are as follows:

3-B Supportive Services	5.536%
C1 Congregate Meals	6.178%
C2 Home Delivered Meals	5.897%
NSIP	12.288%
3-D Disease Prevention	6.178%
3-E Caregiver	5.704%
Title VII Ombudsman	6.258%
Elder Abuse	3.254%

AVERAGE CUTS	6.506%
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We did receive additional funding for the Aging & Disability Resource Center (\$2,300), Chronic Disease Self Management & Education (\$5,000), and Improving Arthritis Outcomes (\$7,000) for a total of \$14,300 in our FY-14 contract. Also, our Homecare and Adult Day allocations show a correction from a mistake made, by the State, in a past year(s), which is to our benefit; however, we did receive a 1% reduction in funding at the beginning of the year as well. Also of note, our coordination (administration funds) has increased to 10% from the 8% that it normally has been on our State-funded programs

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

### **Community and Economic Development**

In FY 13, staff had administrative contracts for a number of CDBG, EDA, State House Bills and HUD projects. There are 10 open State House Bills, 1 EDA, 1 HUD-EDI, 9 CDBG, 2 CDBG-Disaster Recovery, 1 CDBG-CERF, 5 KIA-SRF and 12 other projects being administered by staff.

The staff is working on or has prepared applications for 32 other potential projects.

Our staff has administration contracts for approximately \$472,081 with the potential for approximately \$175,000 more as new projects are funded. There are 7 new CDBG projects in the planning stage.

The one vacant position in the department remains unfilled. State and federally funded programs appear to be intact for the time being; although some have been cut slightly due to sequestration and other economic issues. Current staffing and services will remain unchanged.

### **FY 13 RLF Write-Offs**

There were no loans written-off during FY 13.

### **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 POSITION**  
**June 30, 2013**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 4,247,424	\$ 796,953	\$ 5,044,377	\$ 201,209
Receivables				
Due from Federal and State governments	1,765,416	-	1,765,416	-
Other	-	519,545	519,545	-
Prepays	128,488	-	128,488	59,416
Total Current Assets	<u>6,141,328</u>	<u>1,316,498</u>	<u>7,457,826</u>	<u>260,625</u>
Capital Assets:				
Non-Depreciable	-	-	-	70,000
Depreciable(net)	-	-	-	1,427,415
Total Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,497,415</u>
Total Assets	<u>\$ 6,141,328</u>	<u>\$ 1,316,498</u>	<u>\$ 7,457,826</u>	<u>\$ 1,758,040</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable:				
Vendors	\$ 133,513	\$ 1,952	\$ 135,465	\$ 17,092
Subgrantees	888,158	-	888,158	-
Notes Payable	-	-	-	71,606
Accrued liabilities	312,058	-	312,058	-
Total Current Liabilities	<u>1,333,729</u>	<u>1,952</u>	<u>1,335,681</u>	<u>88,698</u>
Long-Term Liabilities:				
Notes Payable	-	-	-	831,716
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>831,716</u>
Total Liabilities	<u>1,333,729</u>	<u>1,952</u>	<u>1,335,681</u>	<u>920,414</u>
<b>NET POSITION:</b>				
Restricted:				
Restricted by grantor agencies	-	1,314,546	1,314,546	-
Net investment in capital assets	-	-	-	594,093
Unrestricted	4,807,599	-	4,807,599	243,533
Total Net Position	<u>\$ 4,807,599</u>	<u>\$ 1,314,546</u>	<u>\$ 6,122,145</u>	<u>\$ 837,626</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, 2013**

Function/Program	Net (Expense) Revenue and Change in Net Position							
	Expenses	Indirect Expenses Allocation	Program Revenues		Primary Government			Component Unit
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Government activities:								
Workforce Investment Act	\$ 6,295,171	\$ 278,678	\$ -	\$ 6,573,849	\$ -	\$ -	\$ -	\$ -
Aging	2,464,321	328,565	-	2,805,426	12,540	-	12,540	-
JFA	496,208	102,239	-	411,677	(186,770)	-	(186,770)	-
Transportation	103,042	27,444	-	86,948	(43,538)	-	(43,538)	-
Title IX RLF	8,025	1,766	-	9,203	(588)	-	(588)	-
KIA Wris Planning	108,471	27,138	-	104,000	(31,609)	-	(31,609)	-
Local Unrestricted	899,704	188,986	-	1,743,604	654,914	-	654,914	-
Administrative Expenses	954,816	(954,816)	-	-	-	-	-	-
Total Governmental Activities	11,329,758	-	-	11,734,707	404,949	-	404,949	-
Business Activities:								
Title IX RLF	10,316		27,007	-	-	16,691	16,691	-
Total Primary Government	11,340,074		27,007	11,734,707	404,949	16,691	421,640	-
Component Unit:								
LCDC	190,217		210,064	-	-	-	-	19,847
General Revenues:								
Investment Income					23,685	1,785	25,470	868
Total General Revenues					23,685	1,785	25,470	20,715
Change in Net Position					428,634	18,476	447,110	20,715
Net Position July 1, 2012					4,378,965	1,296,070	5,675,035	816,911
Net Position June 30, 2013					\$ 4,807,599	\$ 1,314,546	\$ 6,122,145	\$ 837,626

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, 2013**

	GOVERNMENTAL FUND TYPES				COMPONENT
	SPECIAL REVENUE			TOTAL	UNIT
	INTERNAL FUND	JFA STATE AND FEDERAL PROGRAMS	WORKFORCE INVESTMENT ACT		LAKE CUMBERLAND DEVELOPMENT COUNCIL
ASSETS:					
Cash	\$ 2,649,425	\$ 1,592,017	\$ 5,982	\$ 4,247,424	\$ 201,209
Accounts receivable:					
Federal and state contributions	350,130	652,521	762,765	1,765,416	-
Prepaid expenses	-	128,488	-	128,488	59,416
Due from JFA and Federal programs	1,808,457	-	-	1,808,457	-
Investment in fixed assets	-	-	-	-	1,497,415
	<u>\$ 4,808,012</u>	<u>\$ 2,373,026</u>	<u>\$ 768,747</u>	<u>\$ 7,949,785</u>	<u>\$ 1,758,040</u>
LIABILITIES:					
Accounts payable:					
Vendors	\$ -	\$ 133,513	\$ -	\$ 133,513	\$ 17,092
Subgrantees	-	118,998	769,160	888,158	-
Notes Payable	-	-	-	-	71,606
Accrued Payroll	-	124,050	-	124,050	-
Accrued vacation	-	188,008	-	188,008	-
Due to local operations	-	1,808,457	-	1,808,457	-
Total Current Liabilities	-	<u>2,373,026</u>	<u>769,160</u>	<u>3,142,186</u>	<u>88,698</u>
Long-Term Liabilities:					
Notes payable	-	-	-	-	831,716
Total Long Term Liabilities	-	-	-	-	<u>831,716</u>
Fund Balance:					
Nonspendable	350,130	-	-	350,130	-
Restricted:					
Invested in capital assets, net of related debt					594,093
Unassigned	<u>4,457,882</u>	-	(413)	<u>4,457,469</u>	<u>243,533</u>
Total Fund Balance	<u>4,808,012</u>	-	(413)	<u>4,807,599</u>	<u>837,626</u>
	<u>\$ 4,808,012</u>	<u>\$ 2,373,026</u>	<u>\$ 768,747</u>	<u>\$ 7,949,785</u>	<u>\$ 1,758,040</u>



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

Fund balances - total governmental funds	<u><u>\$ 4,807,599</u></u>
Net Position of governmental activities	<u><u>\$ 4,807,599</u></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, 2013**

	<u>Internal Fund</u>	<u>Special Revenue Fund</u>	<u>Totals</u>	<u>Component Unit</u>
<b>Revenues:</b>				
Federal and state grants	\$ -	\$ 9,902,105	\$ 9,902,105	\$ -
Local contributed cash	-	-	-	-
CDO Program Administration	1,651,773	-	1,651,773	-
Other	<u>115,516</u>	<u>88,998</u>	<u>204,514</u>	<u>210,932</u>
Total Revenues	<u>1,767,289</u>	<u>9,991,103</u>	<u>11,758,392</u>	<u>210,932</u>
<b>Expenditures:</b>				
Current programs:				
JFA	-	496,208	496,208	-
Aging	-	2,464,321	2,464,321	-
Transportation	-	103,042	103,042	-
Title IX RLF	-	8,025	8,025	-
WIA	-	6,295,171	6,295,171	-
CDO	785,461	-	785,461	-
KIA Wris Planning	-	108,471	108,471	-
Internal	<u>114,243</u>	<u>-</u>	<u>114,243</u>	<u>190,217</u>
	899,704	9,475,238	10,374,942	190,217
Indirect costs allocated	<u>188,986</u>	<u>765,830</u>	<u>954,816</u>	<u>-</u>
Total Expenditures	<u>1,088,690</u>	<u>10,241,068</u>	<u>11,329,758</u>	<u>190,217</u>
Excess of Revenues over (under) Expenditures	678,599	(249,965)	428,634	20,715
Other financing sources:				
Operating transfers in (out)	<u>(249,965)</u>	<u>249,965</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	428,634	-	428,634	20,715
Fund balance , July 1, 2012	<u>4,379,378</u>	<u>(413)</u>	<u>4,378,965</u>	<u>816,911</u>
Fund balance , June 30, 2013	<u>\$ 4,808,012</u>	<u>\$ (413)</u>	<u>\$ 4,807,599</u>	<u>\$ 837,626</u>

**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, 2013**

Net changes in net position - total government funds	<u>\$ 428,634</u>
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Change in net position of governmental activities	<u>\$ 428,634</u>
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF NET POSITION- PROPRIETARY FUNDS**  
**June 30, 2013**

	<b>TITLE IX LOAN FUND</b>
<hr/>	
ASSETS:	
Cash	\$ 558,352
Cash, Sequestered Funds EDA	238,601
Notes receivable	<u>519,545</u>
	<u>1,316,498</u>
LIABILITIES:	
Accounts payable:	
Vendors	<u>1,952</u>
Net Position:	<u><u>\$ 1,314,546</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION**  
**PROPRIETARY FUND – TITLE IX REVOLVING LOAN FUND**  
**For the Year Ended June 30, 2013**

Revenues:	
Interest Income - Loans	\$ 23,907
Application and Processing Fee Income	<u>3,100</u>
Total Revenues	<u>27,007</u>
Expenditures:	
Administrative Expenses	9,283
Interest Expense, EDA	783
Legal and Other Fees	<u>250</u>
Total Expenditures	<u>10,316</u>
Operating Revenues Over (Under) Expenditures	16,691
Interest Income, Savings	<u>1,785</u>
Revenues Over (Under) Expenditures	18,476
Net Position, July 1, 2012	<u>1,296,070</u>
Net Position, June 30, 2013	<u><u>\$ 1,314,546</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**LAKE CUMBERLAND DEVELOPMENT COUNCIL, INC.**  
**For the Year Ended June 30, 2013**

Revenues:

Office Rent and Automobile lease	\$ 192,238
Grants	<u>17,826</u>
Total Revenue	<u>210,064</u>

Expenditures:

Depreciation	79,176
Maintenance	13,042
Insurance	65,781
Supplies	146
Other	<u>3,455</u>

Total Operating Expenditures	<u>161,600</u>
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Operating Income	<u>48,464</u>
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Interest expense	(28,617)
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Interest Income on Investments	<u>868</u>
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Revenues Over (Under) Expenditures	20,715
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Fund Balance July 1, 2012	<u>816,911</u>
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Fund Balance June 30, 2013	<u><u>\$ 837,626</u></u>
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT**  
**For the Year Ended June 30, 2013**

	<b>PRIMARY GOVERNMENT TITLE IX LOAN FUND</b>	<b>COMPONENT UNIT</b>
INCREASE (DECREASE) IN CASH :		
CASH FLOWS FROM OPERATIONS:		
Interest earned on loans	\$ 23,907	\$ -
Fees and other	3,100	-
Grant revenue	-	17,826
Administrative expenses	(8,734)	-
Building and equipment rentals	-	218,607
Payments to vendors	-	(71,462)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>18,273</u>	<u>164,971</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayments on loans	224,808	-
New Loans	(250,000)	-
NET CASH PROVIDED (USED) BY FROM NON-CAPITAL FINANCING ACTIVITIES	<u>(25,192)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	<u>1,785</u>	<u>868</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES :		
Cash paid for Capital Assets	-	(21,964)
Payments on loans	-	(70,770)
Interest on loans	-	(28,617)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(121,351)</u>
NET CHANGE IN CASH	(5,134)	44,488
CASH AT BEGINNING OF YEAR	<u>802,087</u>	<u>156,721</u>
CASH AT END OF YEAR	<u><u>\$ 796,953</u></u>	<u><u>\$ 201,209</u></u>
Classified As:		
Current Assets	796,953	201,209
Restricted Assets	-	-
Total	<u><u>\$ 796,953</u></u>	<u><u>\$ 201,209</u></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 CASH FLOWS**  
**PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT**  
**For the Year Ended June 30, 2013**

	<u>PRIMARY GOVERNMENT TITLE IX LOAN FUND</u>	<u>COMPONENT UNIT</u>
Reconciliation of Operating Income ( Loss) to Net Cash Provided By (Used In) Operating Activities:		
Operating Income (Loss)	\$ 16,691	\$ 48,464
Adjustments not Affecting Cash:		
Depreciation	-	79,176
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	-	26,369
(Increase) Decrease in Prepaid Expenses	-	(6,966)
Increase (Decrease) in Accounts Payable	<u>1,582</u>	<u>17,928</u>
Total Adjustments	<u>1,582</u>	<u>116,507</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 18,273</u>	<u>\$ 164,971</u>



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**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 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 is discussed below.

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

The financial statements include:

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

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

Date of Management Review:

Subsequent events were evaluated through December 2, 2013 which is the date the financial statements were available to be issued.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2013**

**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 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 Position, 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 Position are reported in three parts—invested in capital assets, net of related debt; restricted Net Position; and unrestricted Net Position. 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 Position 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, 2013**

**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 Position, 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, 2013**

**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, 2013**

**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, 2013. 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, 2013, depreciation expense of \$79,176 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, 2013**

**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 Position.

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 \$181,439 in rentals for the year ended June 30, 2013. 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, 2013**

**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, 2013.

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

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

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

	<u>Category</u>			<u>Total Bank</u>	<u>Carrying</u>
	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Balance</u>	<u>Amount</u>
Deposits with financial institutions:					
Primary Government	\$ 5,454,496	\$ -	\$ -	\$5,454,496	\$5,044,377
Component Unit	250,000	-	27,597	277,597	201,209
	<u>\$ 5,704,496</u>	<u>\$ -</u>	<u>\$ 27,597</u>	<u>\$5,732,093</u>	<u>\$ 5,245,586</u>

Interest Rate Risk

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

**5. Retirement Plan:**

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

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**For the Year Ended June 30, 2013**

**5. Retirement Plan, Continued:**

Employees are required to contribute 5%-6% (depending on date of employment) of gross compensation to the plan. The Board of Trustees of KRS determines the Commission's required contribution annually, 19.55% and 18.96% for the years ended June 30, 2013 and 2012, respectively. For the year ended June 30, 2013 and 2012, the District's covered payroll was approximately \$2,621,344 and \$2,598,277, respectively. The District contributed approximately \$546,182 and \$527,429, respectively, and employees contributed approximately \$145,308 and \$143,841 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, 2012 financial statements showing progress in accumulating sufficient assets to pay benefits when due. The following table presents certain information regarding the Plans' status as a whole, derived from actuarial valuations performed as of the date indicated.

	CERS as of June 30, 2012	CERS as of June 30, 2011	CERS as of June 30, 2010
Actuarial Value of Assets	\$ 7,294,614,896	\$ 7,409,156,576	\$ 7,296,321,679
Actuarial Accrued Liability (AAL)	12,149,559,743	11,777,126,077	11,131,174,187
Unfunded (Overfunded)	<u>\$ 4,854,944,847</u>	<u>\$ 4,367,969,501</u>	<u>\$ 3,834,852,508</u>

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

<b>Total Plan Contributions</b>			
<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2012	\$ 670,536,562	\$ 629,553,908	93.89%
June 30, 2011	\$ 620,406,321	\$ 619,074,617	99.79%
June 30, 2010	\$ 658,673,827	\$ 539,612,942	81.92%



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED**  
**For the Year Ended June 30, 2013**

**5. Retirement Plan, Concluded:**

<b>Company Contributions</b>				
	Annual			
<u>Year Ended</u>	<u>Required</u>		<u>Actual</u>	<u>Percentage</u>
	<u>Contributions</u>		<u>Contributions</u>	<u>Contributed</u>
2013	\$ 546,182	\$	546,182	100.00%
2012	\$ 527,459	\$	527,459	100.00%
2011	\$ 457,623	\$	457,623	100.00%
2010	\$ 407,298	\$	407,298	100.00%

**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.

## *Supplementary Information*

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICE**  
For the Year Ended June 30, 2013

	<u>JFA, State and Federal Programs</u>	<u>Aging</u>	<u>WIA</u>	<u>Transportation</u>	<u>RLF Adminis- tration</u>	<u>KIA Planning</u>	<u>Total All Programs</u>	<u>General Adminis- tration</u>	<u>Unrestricted Funds</u>	<u>Total Revenues and Expenditures</u>
<b>Revenues:</b>										
Federal and state funds:										
Received	\$ 411,677	\$ 4,322,407	\$ 2,025,740	\$ 78,254	\$ 9,203	\$ 104,000	\$ 6,951,281	\$ -	\$ 115,516	\$ 7,066,797
Receivable	-	-	-	-	-	-	-	-	-	-
Deferred revenue (unexpended)	-	54,488	-	-	-	-	54,488	-	-	54,488
Local funds:										
Annual assessments	-	509	-	-	-	-	509	-	-	509
Other	-	79,795	-	8,694	-	-	88,489	-	-	88,489
Applied to programs	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>411,677</u>	<u>4,457,199</u>	<u>2,025,740</u>	<u>86,948</u>	<u>9,203</u>	<u>104,000</u>	<u>7,094,767</u>	<u>-</u>	<u>115,516</u>	<u>\$ 7,210,283</u>
<b>Expenditures:</b>										
Direct costs:										
Salaries	230,823	1,137,933	631,312	60,843	4,345	59,708	2,124,964	253,553	36,103	2,414,620
Employee benefits	156,018	763,237	448,662	41,525	2,019	44,230	1,455,691	280,492	15,244	1,751,427
Travel	4,533	57,160	40,908	375	-	2,652	105,628	35,647	10,577	151,852
Subgrantees and contracts	100,490	595,693	-	-	-	-	696,183	-	-	696,183
Other direct costs	<u>4,344</u>	<u>695,759</u>	<u>626,180</u>	<u>299</u>	<u>1,661</u>	<u>1,881</u>	<u>1,330,124</u>	<u>385,124</u>	<u>52,319</u>	<u>1,767,567</u>
Total Direct Costs	496,208	3,249,782	1,747,062	103,042	8,025	108,471	5,712,590	954,816	114,243	6,781,649
Indirect Costs:										
Indirect costs applied	<u>102,239</u>	<u>502,220</u>	<u>278,678</u>	<u>27,444</u>	<u>1,766</u>	<u>27,138</u>	<u>939,485</u>	<u>(954,816)</u>	<u>15,331</u>	<u>-</u>
Total Expenditures	<u>598,447</u>	<u>3,752,002</u>	<u>2,025,740</u>	<u>130,486</u>	<u>9,791</u>	<u>135,609</u>	<u>6,652,075</u>	<u>-</u>	<u>129,574</u>	<u>6,781,649</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>\$ (186,770)</u>	<u>\$ 705,197</u>	<u>\$ -</u>	<u>\$ (43,538)</u>	<u>\$ (588)</u>	<u>\$ (31,609)</u>	<u>\$ 442,692</u>	<u>\$ -</u>	<u>\$ (14,058)</u>	<u>\$ 428,634</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF AGING OPERATIONS BY PROGRAM**  
For the Year Ended June 30, 2013

	Title III						Title VII		Homecare			Adult Day	
	Part B, C & E: Admin	Part B: SS's	Part C1: Congregate Meals	Part C2: HDM Meals	Part F: Preventive	Part E: National Caregivers	Elder Abuse	Ombuds- man	Admin	Case Mgmt	HDM	Admin	Case Mgmt
Revenues:													
Federal and State funds:													
Received	\$ 129,117	\$ 318,295	\$ 373,695	\$ 265,122	\$ 35,293	\$ 141,235	\$ 6,340	\$ 13,008	\$ 78,763	\$ 696,122	\$ 138,965	\$ 11,690	\$ 125,834
Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred or (unexpended)	-	22,506	-	-	-	8,545	-	-	-	12,777	-	-	-
Local funds:													
Other	509	6,304	62,070	7,518	-	-	-	-	-	-	3,903	-	-
Total Revenues	129,626	347,105	435,765	272,640	35,293	149,780	6,340	13,008	78,763	708,899	142,868	11,690	125,834
Expenditures:													
Direct costs:													
Salaries	60,737	113,741	90,341	88,659	-	20,379	2,892	5,933	38,633	134,770	53,576	6,167	14,917
Employee benefits	47,171	50,153	58,022	37,879	-	13,177	1,719	3,523	24,527	80,919	56,458	2,345	8,956
Travel	2,906	2,109	-	-	-	130	323	663	447	8,036	-	-	889
Subgrantees and contracts	47	70,617	-	-	35,293	-	-	-	-	396,996	-	-	92,740
Other direct costs	9,702	39,584	250,949	112,906	-	98,611	138	284	29	15,381	11,181	30	1,703
Total Direct Costs	120,563	276,204	399,312	239,444	35,293	132,297	5,072	10,403	63,636	636,102	121,215	8,542	119,205
Indirect Costs:													
Indirect costs applied	26,938	46,242	40,385	39,222	-	8,938	1,274	2,613	18,567	60,092	23,641	3,169	6,651
Total Expenditures	147,501	322,446	439,697	278,666	35,293	141,235	6,346	13,016	82,203	696,194	144,856	11,711	125,856
Excess(Deficiency) of Revenues Over Expenditures	\$ (17,875)	\$ 24,659	\$ (3,932)	\$ (6,026)	\$ -	\$ 8,545	\$ (6)	\$ (8)	\$ (3,440)	\$ 12,705	\$ (1,988)	\$ (21)	\$ (22)
In-Kind Match	\$ 18,335	\$ 38,106	\$ 80,942	\$ 40,719	\$ -	\$ 47,078	\$ 1,126	\$ 2,304	\$ 3,439	\$ 67	\$ 10,768	\$ 20	\$ 22



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF WIA OPERATIONS BY PROGRAM**  
For the Year Ended June 30, 2013

	<u>WIA Administration</u>	<u>WIA Adult Case Management</u>	<u>WIA Youth Case Management</u>	<u>WIA Dis Worker Case Manage</u>	<u>WIA Rapid Response</u>	<u>WIA RR-TRADE</u>	<u>WIA Web Design</u>	<u>WIA S.E.S.P. Admin.</u>	<u>WIA S.E.S.P. Case Mgt.</u>	<u>Total</u>
Revenues:										
Federal and State funds:										
Received	\$ 793,077	\$ 463,040	\$ 145,066	\$ 240,789	\$ 2,236	\$ 210,661	\$ 5,354	\$ 30,291	\$ 135,226	\$ 2,025,740
Deferred or (unexpended)	-	-	-	-	-	-	-	-	-	-
Local Funds										
Other	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>793,077</u>	<u>463,040</u>	<u>145,066</u>	<u>240,789</u>	<u>2,236</u>	<u>210,661</u>	<u>5,354</u>	<u>30,291</u>	<u>135,226</u>	<u>2,025,740</u>
Expenditures:										
Direct costs:										
Salaries	123,035	179,747	67,930	88,067	894	92,608	3,167	16,123	59,740	631,311
Employee benefits	72,797	145,992	42,195	63,487	620	72,874	1,757	6,644	42,296	448,662
Travel	14,789	9,259	512	5,681	283	3,118	-	28	7,239	40,909
Subgrantees and contracts	-	-	-	-	-	-	-	-	-	-
Other direct costs	<u>528,791</u>	<u>48,060</u>	<u>4,022</u>	<u>44,306</u>	<u>-</u>	<u>832</u>	<u>-</u>	<u>-</u>	<u>169</u>	<u>626,180</u>
Total Direct Costs	739,412	383,058	114,659	201,541	1,797	169,432	4,924	22,795	109,444	1,747,062
Indirect Costs:										
Indirect costs applied	<u>53,665</u>	<u>79,982</u>	<u>30,407</u>	<u>39,248</u>	<u>439</u>	<u>41,229</u>	<u>430</u>	<u>7,496</u>	<u>25,782</u>	<u>278,678</u>
Total Expenditures	<u>793,077</u>	<u>463,040</u>	<u>145,066</u>	<u>240,789</u>	<u>2,236</u>	<u>210,661</u>	<u>5,354</u>	<u>30,291</u>	<u>135,226</u>	<u>2,025,740</u>
Excess(Deficiency) of Revenues										
Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
In-Kind Match										<u>-</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**WIA SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- WIA**  
**For the Year Ended June 30, 2013**

WIA Revenue by Grant

WIA-Youth:

274YT11 -PY 10	\$ 43,924
274YT12 -PY 11	337,682
274YT13 -PY 12	957,379

WIA-Adult:

270AD11- PY-10	16,143
270AD13- PY-12	81,703
273AD12 - FY 12	700,814
273AD13 - FY 13	581,146
273AD11 - FY 11	5,100

WIA-Dislocated Workers:

271DW11 - FY11	243,021
271DW12 - FY12	671,138
271DW13 - FY-13	44,579
272DW12 - PY11	136,418
272DW13 - PY12	105,601
272DW11 - PY10	12,842
258MC11 NEG Grant	117,554
275EP10 NEG Grant	1,454,354

WIA-Trade:

205BE11	408,789
205BE12	655,662

Total Revenue	<u>\$ 6,573,849</u>
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Expenditures:

WIA-Youth:

274YT11 -PY 10	\$ 44,277
274YT12 -PY 11	337,682
274YT13 -PY 12	957,379

WIA-Adult:

270AD11- PY-10	16,143
270AD13- PY-12	81,350
273AD12 - FY 12	700,814
273AD13 - FY 13	580,721
273AD11 - FY 11	5,100

WIA-Dislocated Workers:

271DW11 - FY11	243,446
271DW12 - FY12	671,138
271DW13 - FY-13	44,579
272DW12 - PY11	136,418
272DW13 - PY12	105,601
272DW11 - PY10	12,842
258MC11 NEG Grant	117,554
275EP10 NEG Grant	1,454,354

WIA-Trade:

205BE11	408,789
205BE12	655,662

Total Expenditures	<u>\$ 6,573,849</u>
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Revenues Over (Under) Expenditures	<u>\$ -</u>
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**CONSUMER DIRECTED OPTIONS**  
**For the Year Ended June 30, 2013**

Revenues:	
Consumer grants	\$ 2,028,927
Other	<u>5</u>
Total Revenue	<u>2,028,932</u>
Expenditures:	
Client Services	1,846,208
Goods and services	179,654
Respite SCL Waiver	<u>5,997</u>
Total Expenditures	<u>2,031,859</u>
Revenues Over (Under) Expenditures	(2,927)
Fund Balance July 1, 2012	<u>(18,700)</u>
Fund Balance June 30, 2013	<u><u>\$ (21,627)</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, 2012 to June 30, 2013**

	<u>BUDGET</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>TOTAL</u>	ACTUAL OVER(UNDER) <u>BUDGET</u>
Revenues:					
Federal	\$ 178,222	\$ 178,150	\$ -	\$ 178,150	\$ (72)
State	129,734	133,037	-	133,037	3,303
Local funds	-	-	-	-	-
	<u>307,956</u>	<u>311,187</u>	<u>-</u>	<u>311,187</u>	<u>3,231</u>
Expenditures:					
Community and Economic Development EDA (120)	43,418	50,672	14,503	65,175	(21,757)
Community and Economic Development (125)	10,000	19,441	7,171	26,612	(16,612)
Community and Economic Development (130)	212,444	247,401	60,866	308,267	(95,823)
Management Assistance (140)	25,781	48,358	11,498	59,856	(34,075)
Program Administration (150)	16,313	29,847	8,201	38,048	(21,735)
	<u>307,956</u>	<u>395,719</u>	<u>102,239</u>	<u>497,958</u>	<u>(190,002)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (84,532)</u>	<u>\$ (102,239)</u>	<u>\$ (186,771)</u>	<u>\$ (186,771)</u>

The accompanying notes are an integral  
part of the basic financial statements.  
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF ALLOCATED COSTS CLAIMED – INDIRECT EXPENSE**  
**For the Year Ended June 30, 2013**

	<u>Costs Claimed</u>	<u>Costs Allowed</u>	<u>Questioned Costs</u>
Salaries	\$ 253,553	\$ 253,553	\$ -
Personnel Burden	227,886	227,886	-
Leave Time	52,606	52,606	-
Travel, staff and board	35,647	35,647	-
Equipment maintenance and rent	77,863	77,863	-
Building rentals	145,638	145,638	-
Meeting expenses	3,995	3,995	-
Utilities and telephone	41,672	41,672	-
Janitorial expenses	17,590	17,590	-
Dues and memberships	18,696	18,696	-
Printing and publications	2,653	2,653	-
Supplies	19,904	19,904	-
Insurance	32,224	32,224	-
Postage	1,636	1,636	-
Other	<u>23,253</u>	<u>23,253</u>	<u>-</u>
	<u>\$ 954,816</u>	<u>\$ 954,816</u>	<u>\$ -</u>

The accompanying notes are an integral  
part of the basic financial statements.  
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

<b>Federal Grantor Pass-Through Grantor Program or Cluster Title</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. 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	\$ 129,117
Part B: Supportive Services	09-11891	93.044	250,357
Part C1: Nutrition Services	09-11891	93.045	330,219
Part C2: Nutrition Services	09-11891	93.045	173,893
Nutrition Services Incentive Program (USDA)	09-11891	93.053	64,744
Total Aging Cluster			<u>948,330</u>
Part D: Disease Prevention	09-11891	93.043	21,087
Part E: National Family Caregiver Support	09-11891	93.052	141,235
Specialty Contracts:			
Center for Medicare & Medicaid Services (SHIP)	09-11891	93.052	74,327
Chronic Disease and Self Management Education (CDSME)	09-11891	93.725	3,921
Aging & Disability Resource Center (ADRC)	09-11891	93.048	7,000
Programs for Aging Title VII:			
Ombudsman	09-11891	93.042	11,868
Elder Abuse	09-11891	93.041	5,586
			<u>\$ 1,213,354</u>
<b>US Department of Commerce:</b>			
Revolving Loan Fund		11.300	\$ 901,456
<b>Passed Through Department for Local Government</b>			
Economic Development Technical Assistance (JFA - EDA)		11.303	32,160
			<u>\$ 933,616</u>
<b>Appalachian Regional Commission:</b>			
Labor Market Survey		23.001	\$ 100,490
<b>Passed Through Department for Local Government</b>			
Appalachian Regional Commission (JFA - ARC)		23.009	106,150
			<u>\$ 206,640</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Passed Through Department for Local Government</b>			
Technical Assistance Program (JFA - CDBG)		14.227	<u>\$ 5,000</u>

The accompanying notes to the schedule of expenditures of federal awards  
are an integral part of this statement.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

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

WIA-Youth:				
274YT11 - PY 10	M-04127521	17.259	\$	43,924
274YT12 - PY 11	M-04127521	17.259		337,682
274YT13 -PY 12	M-04127521	17.259		957,379
WIA-Adult:				
270AD11- PY 10	M-04127521	17.258		16,143
270AD13 -PY 12	M-04127521	17.258		81,702
273AD12 - FY 12	M-04127521	17.258		700,814
273AD13 - FY 13	M-04127521	17.258		581,146
273AD11 - FY 11	M-04127521	17.258		5,100
WIA-Dislocated Workers:				
271DW11 - FY 11	M-04127521	17.278		243,021
271DW12 - FY 12	M-04127521	17.278		671,138
271DW13 - FY 13	M-04127521	17.260		44,579
272DW12 - PY 11	M-04127521	17.278		136,418
272DW13 - PY 12	M-04127521	17.278		105,601
272DW11 - PY 10	M-04127521	17.278		12,842
258MC11 NEG Grant	M-04127521	17.277		117,554
Total WIA Cluster				<u>4,055,043</u>
Trade Adjustment Assistance:				
205BE11	M-04127521	17.245		408,789
205BE12	M-04127521	17.245		655,662
Program of Competitive Grants				
275EP10 State Energy Sector Partnership Grant ARRA	M-04127521	17.275	\$	<u>1,454,354</u>
Total WIA			\$	<u>6,573,848</u>
Total Expenditures of Federal Awards			\$	<u>8,932,458</u>

The accompanying notes to the schedule of expenditures of federal awards  
are an integral part of this statement.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

**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.

**Note 2**  
**SUBRECEIPIENTS**

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

Program for Aging Title III		
Support	93.044	\$ 61,045
Disease Prevention	93.043	20,036
 Workforce Investment Act		
Youth	17.259	1,029,732
Adult	17.258	481,035
Dislocated Worker	17.260	397,546
Trade	17.245	1,064,451

**Note 3**  
**REVOLVING LOAN FUND CALCULATION**

Balance of Loans Outstanding	\$ 519,545
Cash and Investment Balance	796,593
Administrative Expenses	9,533
Subtotal	<u>1,325,671</u>
Federal Share of Initial Capitalization	<u>68%</u>
 Total	 <u><u>\$ 901,456</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?            Yes       X       No

**Federal Awards**

Internal control over major programs:

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

Identification of major programs:

Aging Cluster	93.044, 93.045, 93.053
WIA Program of Competitive Grants-ARRA	17.275
Revolving Loan Fund	11,300

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

Auditee qualified as low-risk auditee?       X       Yes            No

**II. FINANCIAL STATEMENT FINDINGS**  
 No matters were reported

**III. FEDERAL AWARDS FINDINGS and QUESTIONED COSTS**  
 No matters were reported.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA ▪ Adam Duvall

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2013, and the related notes to the financial statements, which collectively comprise Lake Cumberland Area Development District's basic financial statements, and have issued our report thereon dated December 2, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lake Cumberland Area Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Cumberland Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Cumberland Area Development District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake Cumberland Area Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Campbell, Myers & Ratledge, PLLC*

Glasgow, Kentucky

December 2, 2013





CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### **Report on Compliance for Each Major Federal Program**

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, 2013. 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.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lake Cumberland Area Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Lake Cumberland Area Development District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Lake Cumberland Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Lake Cumberland Area Development District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake Cumberland Area Development District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky

December 2, 2013

