

**LAKE CUMBERLAND
AREA DEVELOPMENT DISTRICT
Russell Springs, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2014**

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LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis provides an overview of Lake Cumberland Area Development District's financial performance during the fiscal year 2014. Please read the following in conjunction with the District's audited financial statements. A comparative analysis has been presented as a single fund, special-purpose government.

OVERVIEW OF THE ANNUAL REPORT

This annual report includes the management's discussion and analysis, the independent auditor's report, the District's audited financial statements, and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The District's financial statements utilize the full accrual basis of accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board as it relates to a single fund special-purpose government. The required financial statements are the District's statement of net position, statement of revenue, expenses and changes in net position and a statement of cash flows. The District does not utilize multiple funds in accounting for its financial activities; therefore, only fund type statements are presented. The statement of net position details the District's investments (assets), debt (liabilities), and net position (net assets).

FINANCIAL ANALYSIS OF THE DISTRICT

The Condensed Statement of Net Position reveals the following changes for the fiscal year 2014:

Condensed Statement of Net Position

	FY 2014	FY 2013	Change
Current Assets	\$ 6,125,113	\$ 6,401,953	\$ (276,840)
Capital & Other Assets	<u>2,736,844</u>	<u>2,813,913</u>	<u>(77,069)</u>
Total Assets	<u>\$ 8,861,957</u>	<u>\$ 9,215,866</u>	<u>\$ (353,909)</u>
Current Liabilities	\$ 662,202	\$ 1,236,371	(574,169)
Long-term Liabilities	<u>966,654</u>	<u>1,019,724</u>	<u>(53,070)</u>
Total Liabilities	1,628,856	2,256,095	(627,239)
Net position			
Net Investment in Capital Assets	584,308	594,093	(9,785)
Restricted	1,320,821	1,314,546	6,275
Unrestricted	<u>5,327,972</u>	<u>5,051,132</u>	<u>276,840</u>
Total Liabilities & Net Position	<u>\$ 8,861,957</u>	<u>\$ 9,215,866</u>	<u>\$ (353,909)</u>

Management's Discussion and Analysis

The statement of revenue, expenses and changes in net position had the following changes:

Condensed Statement of Revenues and Expenses

	FY 2014	FY 2013	Change
Operating Revenues			
Federal	\$ 5,319,318	\$ 8,048,069	\$ (2,728,751)
State	1,823,465	1,854,036	(30,571)
In-kind	353,389	169,504	183,885
Other and Local	<u>2,131,970</u>	<u>1,707,498</u>	<u>424,472</u>
Total Operating Revenues	<u>9,628,142</u>	<u>11,779,107</u>	<u>(2,150,965)</u>
Operating Expenses			
Salaries & Fringe	4,632,728	4,166,047	(466,681)
Subgrantees & Contractual	3,068,615	5,244,292	2,175,677
Other	<u>1,698,522</u>	<u>1,892,412</u>	<u>193,890</u>
Total Operating Expenses	<u>9,399,865</u>	<u>11,302,751</u>	<u>1,902,886</u>
Operating Income	<u>228,277</u>	<u>476,356</u>	<u>(248,079)</u>
Non-Operating Income (Expense)			
Bank Interest Income	20,503	23,685	(3,182)
Interest Expense	<u>(25,560)</u>	<u>(32,216)</u>	<u>6,656</u>
Total Non-Operating Income	<u>(5,057)</u>	<u>(8,531)</u>	<u>3,474</u>
Change in Net Position	223,220	467,825	(244,605)
Adjustments for Prior Year	50,110	-	50,110
Net Position, Beginning of Year	<u>6,959,771</u>	<u>6,491,946</u>	<u>467,825</u>
Net Position, End of Year	<u>\$ 7,233,101</u>	<u>\$ 6,959,771</u>	<u>\$ 273,330</u>

CAPITAL ASSETS

The District invested \$0 in capital assets for fiscal year 2014. Accumulated depreciation increased \$81,392 from fiscal year 2013 to fiscal year 2014, leaving a remaining balance of \$1,416,023 in net capital assets.

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Land, Not Depreciated	\$ 70,000	\$ -	\$ -	\$ 70,000
Property & Equipment	2,414,216	-	-	2,414,216
Accumulated Depreciation	<u>(986,801)</u>	<u>(81,392)</u>	<u>-</u>	<u>(1,068,193)</u>
Net Capital Assets	<u>\$ 1,497,415</u>	<u>\$ (81,392)</u>	<u>-</u>	<u>\$ 1,416,023</u>

Management's Discussion and Analysis

LONG-TERM DEBT

The District, in order to stimulate economic development and assist individuals in obtaining and rehabilitating residences, has chosen to participate in programs that require the District to obtain long-term financing. The District, after obtaining these low-interest loans, uses this funding to create a loan program for the before mentioned reasons. The loans are repaid from payments collected from borrowers. Loan balances at June 30, 2014 were \$526,663 compared to \$570,419 in 2013.

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
Notes Payable	\$ 903,322	\$ -	\$ (71,607)	\$ 831,715

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2015 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2015, several of our state contracts had not been finalized due to budget uncertainty. We are speculating that our federal and state revenue will decrease due to budget cuts. Our Medicaid CDO program should continue to grow in fiscal year 2015 along with the loan program.

Workforce Investment Act

WIA formula funding for Adults decreased from \$1,219,071.07 in FY-13 to \$1,017,349.73 in FY-14. This is a \$201,721.34 decrease or 16.55%. WIA formula funding for Dislocated Workers decreased from \$891,006.37 in FY-13 to \$751,900.06 in FY-14. This is a \$139,106.31 decrease or 15.62%. WIA formula funding for Youth increased from \$943,597.10 in FY-13 to \$984,929.79 in FY-14. This is a \$41,332.69 increase or 4.2%. Trade funding decreased from \$1,150,000.00 in FY-13 to \$450,000 in FY-14. This is a decrease of \$700,000 or 60.87%. The Adult, Dislocated Worker and Youth funding amounts were affected by the Federal budget which included sequestration of funds from WIA. Youth funds did show an increase due to a \$78,783.17 distribution of recaptured funds. Trade funding decreased due to the number of dislocations slowing in our area and enrollees completing training. FY-15 Adult and Youth funding will again show a decrease while Dislocated Worker funding will have an increase. Trade funding will increase due to a large plant shutdown whose employees are Trade eligible.

Rapid Response Funds were received in the amount of \$180,000.00 for Trade Case Management.

The Cumberland WIA received 29,431.00 of Statewide Reserve Incentive funds during FY-14 for meeting performance measurements during PY-12.

Additional State Energy Sector Partnership (SESP) funds were awarded; an amount of \$54,678.16 was received to meet expenditures approved by OET.

The Workforce Department increased with the hiring of four new staff during FY-14 to do Out-of-School youth case management. LaQuita Goodin, Larry Hatfield, Heather Stevenson and Tammy Walker were hired when the WIB voted not to contract for Out-of-School youth services.

Management's Discussion and Analysis

Planning Department

During FY-14, the LCADD Planning Department had an income totaling \$224,983.66 through contracts with the Kentucky Transportation Cabinet, Pennyryle ADD, and the Kentucky Infrastructure Authority. Current contracts for FY-15 total \$227,846.66, a 1.2% increase from last year.

These contracts are as follows:

Transportation Planning	\$78,067.00
Water and Wastewater Planning	\$97,613.00
Local Road Updates	\$15,000.00
Ag Asset Mapping	\$35,666.66
Local Contracts	\$1,500.00
Total:	\$227,846.66

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-14, the Department for Aging and Independent Living received cuts in the following federal programs: Title III-B, National Family Caregiver, Title VII Ombudsman, and SHIP. Small increases were seen in Title III C1 Congregate and C2 Home Delivered Meals. There were no changes in Title III-D Health Prevention, Elder Abuse, Kentucky Caregiver (state funds) and the State Long Term Care Ombudsman Program. The state-funded Homecare and Adult Day Care programs both received increased allocations which was to help offset a mistake in the funding formula that had been made in past years' by the State.

The Consumer Directed Options (CDO) Program continues to grow. Two (2) new full-time support brokers have been hired in the past year. There were a total of 466 unduplicated clients served during the time period.

We did received additional funding for the Aging & Disability Resource Center, Chronic Disease Self Management & Education Program, Improving Arthritis Outcomes, and the HBE In-Person Assistor Program.

Community and Economic Development

In FY 14, staff had administrative contracts for a number of CDBG, EDA, State House Bills and HUD projects. There are 8 open State House Bills, 1 EDA, 1 HUD-EDI, 10 CDBG, 2 CDBG-Disaster Recovery, 5 KIA-SRF and 20 other projects being administered by staff.

Staff is working on or has prepared applications for 33 other potential projects.

Staff has administration contracts for approximately \$364,831 with the potential for approximately \$225,900 more as new projects are funded. There are 4 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. Current staffing and services will remain unchanged.

Management's Discussion and Analysis

FY 14 RLF Write-Offs

There were no loans written-off during FY 14.

CONTACTING THE DISTRICT

The financial report is designed to provide the District's citizens, investors, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Donna Diaz, Executive Director, at PO Box 1570, Russell Springs, Kentucky, 42642.



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lake Cumberland Area Development District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lake Cumberland Area Development District, as of June 30, 2014, and the respective changes in financial position, and 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 1-5 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 the Lake Cumberland Area Development District's basic financial statements. The supplementary budgetary, grant schedules and combining 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 supplementary budgetary, cost allocation information, schedule of shared costs, statements of operations, combining 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 supplementary budgetary, cost allocation information, schedule of shared costs, statements of operations, combining 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 February 3, 2015, 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 the Lake Cumberland Area Development District's internal control over financial reporting and compliance.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 3, 2015

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Current assets	
Cash	\$ 3,422,022
Certificates of deposit	1,050,000
Accounts receivable	
Federal, state and local grants	1,177,859
Consumer Directed Option	348,053
Prepaid expenses	<u>127,179</u>
Total current assets	<u>6,125,113</u>
Other assets	
Revolving Loan Fund (RLF) cash, restricted	985,497
RLF notes receivable, restricted	335,324
Property and equipment, net	<u>1,416,023</u>
Total other assets	<u>2,736,844</u>
Total assets	<u>\$ 8,861,957</u>

LIABILITIES AND NET POSITION

Current liabilities	
Accounts payable	\$ 454,147
Accrued expenses	130,978
Unearned revenue	4,617
Current portion of notes payable	<u>72,460</u>
Total current liabilities	<u>662,202</u>
Long-term liabilities	
Accrued annual leave	207,399
Notes payable	<u>759,255</u>
Total long-term liabilities	<u>966,654</u>
Total liabilities	<u>1,628,856</u>
Net position	
Net investment in capital assets	584,308
Restricted	1,320,821
Unrestricted	<u>5,327,972</u>
Total net position	<u>7,233,101</u>
Total liabilities and net position	<u>\$ 8,861,957</u>

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

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2014

OPERATING REVENUES

Federal	\$ 5,319,318
Commonwealth of Kentucky	1,823,465
In-kind	353,389
Other and local	<u>2,131,970</u>

Total revenues	<u>9,628,142</u>
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OPERATING EXPENSES

Salaries	2,614,135
Fringe benefits	2,018,593
Travel	143,706
Subgrantees	3,068,615
Supplies	56,935
Postage	18,532
Dues, fees and subscriptions	21,780
Non-capital grant purchases and leases	201,691
Depreciation and amortization	81,392
In-kind	311,453
Other	<u>863,033</u>

Total expenses	<u>9,399,865</u>
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OPERATING INCOME	228,277
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NON-OPERATING INCOME (EXPENSE)

Bank interest income	20,503
Interest expense	<u>(25,560)</u>

Change in net position	223,220
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Net position - beginning of year	6,959,771
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Adjustment for unearned income and prior years accounts receivable	<u>50,110</u>
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NET POSITION - END OF YEAR	<u><u>\$ 7,233,101</u></u>
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The accompanying notes are an integral
part of the financial statements.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor agencies	\$ 9,085,504
Local cash received	2,498,352
Payments to suppliers	(6,681,923)
Payments for employee services and benefits	<u>(4,613,335)</u>
Net cash provided by operating activities	<u>288,598</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(71,607)
Interest expense	<u>(25,560)</u>
Net cash (used in) capital and related financing activities	<u>(97,167)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Bank interest income	<u>20,503</u>
Net cash provided by investing activities	<u>20,503</u>
Net increase in cash and cash equivalents	211,934
Cash and cash equivalents - beginning of the year	<u>4,195,585</u>

CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 4,407,519</u></u>
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Reconciliation of operating income to net cash provided by operating activities:

Excess revenues over expenses	\$ 228,277
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation and amortization	81,392
Prior year unearned income and accounts receivable	50,110
Change in assets and liabilities:	
Receivables, net	239,508
Prepaid expenses	60,725
Loans receivable	184,221
Accounts and other payables	(561,115)
Accrued expenses	(18,528)
Accrued leave	19,391
Unearned revenue	<u>4,617</u>
Net cash provided by operating activities	<u><u>\$ 288,598</u></u>

Cash and cash equivalents consists of the following:

Unrestricted cash	\$ 3,422,022
Restricted cash	<u>985,497</u>
Total cash and cash equivalents	<u><u>\$ 4,407,519</u></u>

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

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lake Cumberland Area Development District (the District) is a non-profit governmental corporation formed pursuant to KRS Chapter 147A which has as its primary purpose, the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of a ten-county area in the Lake Cumberland region of Kentucky. Executive Order 71-1267, signed November 16, 1971, designated the District as the official comprehensive planning and program development agency for the Lake Cumberland area. The Order further designated the District as the regional clearinghouse pursuant to United States Office of Management and Budget Circular A-95. The 1972 Kentucky Legislature introduced and passed legislation (House Bill No. 423), which created and established the District under Kentucky law. 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.

Reporting Entity – The financial statements present the District (the primary government) and its blended component unit, Lake Cumberland Development Council, Inc. (the 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.

Basis of Presentation - The District's financial statements conform to the provisions of the Governmental Accounting Standards Board codification section 2600, as it relates to special-purpose governments and, accordingly, the financial statements consist of the following:

Management's discussion and analysis (required supplementary information);

Basic financial statements

Fund financial statements

Notes to the financial statements

Entity-wide financial statements – The District is a single fund, special-purpose entity that provides regional planning, development and aging services to the city, county and nonprofit agencies within the ten-county area. No entity-wide statements are required because a single proprietary fund is used for the District.

Fund Financial Statements – The District's financial statements include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

Basis of Accounting – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are prepared on a full accrual basis.

Costs for all programs (including those programs outside of the Joint Funding Administration (JFA) have been accounted for under the accounting system prescribed by the JFA. Indirect expenses have been allocated to JFA program elements and other programs on the basis of direct salary and fringe costs as allocated per employee's time records. Non-federal matching contributions are applied to individual programs on the basis of total expenses incurred on the program and the sharing ratio specified in the program agreement.

Revenue Recognition Policies - The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts upon the completion of agreed upon services.

Non-Operating Income – The District recognizes investment income as non-operating income. All other income is recognized as operating income.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue – Unearned revenue arises when funds are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Restricted Net Position - The District uses restricted net position first to offset expense, when available, if both restricted and unrestricted net position are available.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District defines cash and cash equivalents as cash in banks, funds in overnight repurchase agreements and any highly liquid investments with initial maturities of 90 days or less.

Fixed Assets – The District does not hold any buildings, property or equipment. All such items are instead held in the Development Council. Buildings, property and equipment are stated at cost and depreciated over their estimated useful lives of three (3) to forty (40) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles and leasehold improvements. Depreciation expense is charged to both direct and shared costs as rental expense. The shared cost portion is allocated to the various grants using the approved cost allocation plan. The threshold for capitalization is \$2,000.

Budgeting – The District is not required to adopt a legal budget in the manner of most local governmental entities. The budget is an operational and management tool that ensures the maximum use of resources. The budget is approved by the board of directors and monthly reports are presented to the board and management using budget comparisons.

In-Kind - In-kind contributions included in the accompanying financial statements consist of donated volunteer time, facilities or services.

Compensated Absences - Employees of the District accrue sick leave at the rate of 1 ¼ days per month. Sick leave that may be accrued is unlimited. Sick leave is forfeited upon termination of employment. Employees retiring under the CERS retirement system will receive credit for accrued but unused sick leave up to 120 days. Annual leave (vacation) earned is based on seniority at the rates of 12 to 24 days per year and can be carried forward from one year to the next. A maximum of 30 days may be carried forward. All days in excess of 30 are converted to sick. The District pays the balance of vacation upon separation with an employee. The accrued liability for accumulated annual leave is reported on the balance sheet at June 30, 2014 is \$207,399.

Rentals/Component Unit – The District leases its office facilities, equipment and automobiles from the Development Council (included within the accompanying financial statements). The District paid \$189,888 in rentals for the year ended June 30, 2014. Total annual rentals are based upon operating expenses of the Development Council.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The District is a governmental organization formed under Kentucky Revised Statute and is not required to file information form 990.

Management's Review of Subsequent Events - The District has evaluated and considered the need to recognize or disclose subsequent events through February 3, 2015, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2014, have not been evaluated by the District.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

2. CASH AND INVESTMENTS

Kentucky Revised Statutes authorize local governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing bank pledges as security obligations of the United States government or its agencies.

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

The District's deposits and investments at June 30, 2014 were substantially covered by federal depository insurance or by collateral held by the custodial banks in the District's name. Cash coverage and collateralization is as follows at June 30, 2014:

	District	Council
Cash balances	\$ 5,587,185	\$ 269,206
Money Market investment	(1,762,047)	(172,676)
FDIC Insurance	(500,000)	(250,000)
Collateralized by securities held in District's name	<u>(5,767,947)</u>	<u>-</u>
Total under collateralized	<u>\$ -</u>	<u>\$ -</u>

3. GRANTS RECEIVABLE

Federal, state and local grants receivable consists of the following at June 30, 2014:

WIA Administration	\$ 198,183
WIA Program	357,716
Aging	494,645
AG mapping grant	25,877
KY Transportation	13,450
KY Infrastructure	51,375
RLF Administration	1,637
ARC Leader in Me	<u>34,976</u>
Total grant receivable	<u>\$ 1,177,859</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. LOANS RECEIVABLE

The District has established the following loan program to assist a wide range of residents and businesses in its district:

Revolving Loan Fund (RLF) – established by initial grants from the Economic Development Administration to assist high-risk small businesses in the area local communities.

Revolving loans – business	\$ 759,300
Less: loan repayments	<u>(423,976)</u>
Total	335,324
Less: reserve for bad debts	<u>(-)</u>
Net loans receivable	<u>\$ 335,324</u>

Loans program receivables and the related cash balances are shown as restricted assets on the statement of net position because they cannot be used for the general operation of the District. Loan bad debts are charged to operations in the period they become uncollectible.

5. CAPITAL ASSETS

The Development Council maintains buildings, property and equipment used for the District operations. Fixed assets are stated at cost and depreciated over their estimated useful lives of three (3) to forty (40) years using the straight-line method of depreciation. Property and equipment include furniture, office equipment, vehicles and leasehold improvements. Depreciation expense totaled \$81,392, for the year ended June 30, 2014.

The following summarizes the changes in fixed assets during the years ended:

	6/30/2013 Balance	FY 2014 Additions	FY 2014 Disposals	6/30/2014 Balance
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Buildings and improvements	1,868,133	-	-	1,868,133
Equipment and vehicles	<u>546,083</u>	<u>-</u>	<u>-</u>	<u>546,083</u>
Total	2,484,216	-	-	2,484,216
Accumulated depreciation	<u>(986,801)</u>	<u>(81,392)</u>	<u>-</u>	<u>(1,068,193)</u>
Net	<u>\$ 1,497,415</u>	<u>\$ (81,392)</u>	<u>\$ -</u>	<u>\$ 1,416,023</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

6. UNEARNED REVENUE

The unearned revenue includes revenues received, but not earned. For the District, the detail of those grants is as follows at June 30, 2014:

Grant Name	
Leader in Me, local match	\$ <u>4,617</u>
Total	\$ <u>4,617</u>

7. LONG-TERM LIABILITIES

Notes payable consists of various loans which were obtained by the Development Council for various buildings and equipment. Notes payable are as follows at June 30, 2014:

SKRECC, principal due \$3,000 per month bearing interest at a rate of 0%, due 5/2019.	\$ 174,000
Shelby Energy Corp, monthly payment of principal and interest of \$2,760, bearing interest at a rate of 1.8%, due 7/2019.	159,977
USDA Rural Development, annual principal and interest payments of \$28,060, bears interest at a rate of 4.38%, due 1/2049.	<u>497,738</u>
Total debt	831,715
Less: current portion	<u>(72,460)</u>
Total long-term debt	<u>\$ 759,255</u>

The following is a summary of total debt maturities due for the years ending:

June 30,	Principal	Interest	Total
2015	\$ 72,460	\$ 24,725	\$ 97,185
2016	73,343	23,842	97,185
2017	74,252	22,933	97,185
2018	75,185	22,000	97,185
2019	70,144	21,041	91,185
2020-2024	45,075	97,984	143,059
2025-2029	52,440	87,862	140,302
2030-2034	64,976	75,326	140,302
2035-2039	80,508	59,794	140,302
2040-2044	99,752	40,550	140,302
2045-2049	<u>123,580</u>	<u>16,704</u>	<u>140,284</u>
Total	<u>\$ 831,715</u>	<u>\$ 492,761</u>	<u>\$ 1,324,476</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

7. LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	6/30/2013	Additions	Payments	6/30/2014
Accrued annual leave	\$ 188,008	\$ 208,706	\$ (189,315)	\$ 207,399
Debt	<u>903,322</u>	<u>-</u>	<u>(71,607)</u>	<u>831,715</u>
Totals	<u>\$ 1,091,330</u>	<u>\$ 208,706</u>	<u>\$ (260,922)</u>	<u>\$ 1,039,114</u>

8. RETIREMENT PLAN

The District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2014, grandfathered plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute 6% of wages for non-hazardous job classifications. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2014 participating employers contributed 19.55%, respectively, of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the District for the current and previous two years are as follows:

Year	Required Contribution	Percentage Contributed
2014	\$ 721,898	100%
2013	\$ 691,490	100%
2012	\$ 671,270	100%

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

9. OPERATING LEASE

The District leases its offices, equipment and vehicles from the Development Council. Rents are determined by the operating needs of the Development Council. Rent expense varies from year to year. The arrangement is designed for the Development Council to operate with zero profit.

10. COMMITMENTS AND 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 of the program, the grant funds are considered to have been used for an unintended 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.

11. LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT CDO

The District provides fiscal management services to the Lake Cumberland ADD Consumer Directed Option (CDO) program as a fiscal agent. The District operates the CDO program for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL). Waiver clients have the option to choose CDO at any time.

The District serves as the fiscal agent for the client and as a support broker. As clients opt for CDO, Medicaid reimbursement pays funds based on services provided. These funds reimburse payment for services on behalf of the client. Throughout the year, DAIL reassesses the CDO program funding. Funds for each ADD are realigned and/or increased in accordance with the client data. In addition to advances, as client services are rendered, Medicaid is billed and the funds are paid to the CDO program. The CDO program then pays the District for its administrative responsibilities. During the years ended June 30, 2014 the District received \$1,667,103 from the CDO program for administration and the District was owed \$348,053 by the CDO program.

12. COST ALLOCATION PLAN

Lake Cumberland Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225 (OMB Circular A-87). A summary of the cost allocation plan begins on page 20. The District is in conformity with 2 CFR Part 225.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

13. GASB 68

In June 2012, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of state and local government employers and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

Statement No. 68 will take effect for pension plan employers in fiscal years beginning after June 15, 2014, (that is, for years ended June 30, 2015, or later). The District is currently evaluating the effects of this statement on its financial statements. The District's potential unfunded liability would be approximately \$6,155,000 based on the 2013 plan financial statements plan contributions. The actual liability for June 30, 2015, could be considerably different due to changes in system assumptions and liabilities.

SUPPLEMENTARY INFORMATION

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON
for the year ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 4,900,000	\$ 4,900,000	\$ 5,319,318	\$ 419,318
State funds	1,250,000	1,250,000	1,823,465	573,465
In-kind	-	-	353,389	353,389
Other and local	<u>1,773,409</u>	<u>1,773,409</u>	<u>2,147,815</u>	<u>374,406</u>
Total revenues	<u>7,923,409</u>	<u>7,923,409</u>	<u>9,643,987</u>	<u>1,720,578</u>
EXPENSES				
Salaries and wages	2,950,000	2,950,000	2,614,135	(335,865)
Employee benefits	1,800,000	1,800,000	2,018,593	218,593
Travel	146,600	146,600	143,706	(2,894)
Aging pass through to local agencies	2,146,000	2,146,000	3,068,615	922,615
Supplies	67,000	67,000	56,935	(10,065)
Postage	22,000	22,000	18,532	(3,468)
Dues, fees and subscriptions	38,000	38,000	21,780	(16,220)
Equipment, leases and depreciation	206,000	206,000	118,514	(87,486)
In-kind	-	-	311,453	311,453
Other costs	<u>547,809</u>	<u>547,809</u>	<u>1,048,504</u>	<u>500,695</u>
Total expenses	<u>7,923,409</u>	<u>7,923,409</u>	<u>9,420,767</u>	<u>1,497,358</u>
EXCESS REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,220</u>	<u>\$ 223,220</u>

COST ALLOCATION POLICY

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT COST ALLOCATION POLICY

All funds expended by the Lake Cumberland Area Development District (the District) are charged either to a specific grant and/or program element as a Direct Charge or spread to all grants and/or program elements as a shared (indirect) cost in conformity with 2 CFR Part 225, (OMB Circular A-87). Direct charges are defined as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purposes benefiting more than one grant and/or program element. Below is a listing of direct and shared costs as they are charged by the District.

Direct/Shared Costs

1. **Salary** - Salaries of all professional employees are charged as direct costs to the grants and/or program elements in which their work is attributable. These charges are based on time sheets submitted by all employees. The Executive Director, fiscal officer and any employee whose time is fragmented between many elements are charged in part or in whole as direct or shared costs.
2. **Employee Burden, Fringe Benefits, Sick and Holiday Leave** - All employee burden which can be specifically related to an employee whose salary is charged as a direct cost, is allocated proportionately to direct salaries as a direct cost. Similarly, the employee burden of those persons whose salary is charged as a shared cost is allocated as a shared cost.
3. **Consultant Contracts and Contractual Services** - Contracts whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services, whose content can be directly attributed to a specific grant and/or program element are charged as direct costs to those programs. Other contracts, such as for public information or secretarial services whose content cannot be directly attributed to a specific program task, are charged as shared costs.
4. **Printing** - Outside printing costs which are readily identifiable and attributable to documents within a specific grant and/or work element are charged as direct costs. Miscellaneous printing costs are charged as shared costs.
5. **Travel** - All travel costs, which are directly attributable to an employee whose salary is charged as a direct cost is also charged as direct cost. All other travel costs, for Staff and Board, are charged as shared costs. Staff travel costs are allocated to grants and/or program elements accordingly to the total time spent by an employee on a specific program element during the month in which the travel occurred.
6. **Audit Fees** – General audit fees are charged as a shared cost. Specific program audit fees are charged as a direct cost.
7. **Building Rental**- Building rental and the associated utilities costs are charged as shared costs except for the Kentucky Career Centers that house the WIA counselors and case managers and local senior citizens centers. Costs associated with those particular buildings are charged as direct costs to the WIA and Aging grants.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY (CONTINUED)**

8. **Equipment Rental/Purchase** – The purchase of equipment and/or any depreciation or rental charge on purchased equipment is charged, if allowable, as a direct cost to the applicable program element(s). All other equipment purchases and/or depreciation, or rental is to be charged as a shared cost.
9. **Communications** - All communication costs, including telephone, postage and the like, are charged as shared costs unless directly attributable to a program.
10. **Classified Advertising** – All classified advertising costs are charged as direct costs to the applicable program element(s). General classified advertising costs are charged as shared costs.
11. All additional costs which are not identified above are charged as shared costs unless otherwise indicated by the Department for Local Government or prohibited by Federal regulations.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the year ended June 30, 2014

Cost Category

Personnel compensation	\$ 269,730
Fringe benefits	189,817
Travel	30,480
Equipment, leases and depreciation	76,104
Building rentals	122,523
Utilities and telephone	45,989
Janitorial	15,705
Dues, fees and subscriptions	30,166
Printing and publication	2,926
Supplies	23,363
Insurance	45,541
Postage	5,626
Other	<u>20,978</u>

Total shared costs allocated	<u><u>\$ 878,948</u></u>
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**STATEMENTS OF OPERATIONS
&
COMBINING STATEMENTS**

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

	JFA Schedule	Total Area Agency on Aging	WIA	CDO	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	\$ 164,589	\$ 1,178,087	\$ 3,853,421	\$ -	\$ 123,221	\$ -	\$ -	\$ 5,319,318
State	136,497	1,502,732	-	-	184,236	-	-	1,823,465
Local	-	48,911	-	-	-	-	-	48,911
Other	37,022	-	-	1,667,103	260,993	40,056	-	2,005,174
Interest on advance	-	-	-	-	-	-	-	-
In-kind	-	353,389	-	-	-	-	-	353,389
Program income	-	93,730	-	-	-	-	-	93,730
Local funds applied	248,669	139,661	-	-	81,354	(469,684)	-	-
Total revenues	586,777	3,316,510	3,853,421	1,667,103	649,804	(429,628)	-	9,643,987
Expenses								
Salaries	256,660	795,025	685,911	461,825	144,984	-	269,730	2,614,135
Fringe benefits	185,478	568,827	537,619	433,840	103,012	-	189,817	2,018,593
Travel	6,374	22,888	48,381	31,154	4,429	-	30,480	143,706
Subgrantees/Contractual	37,022	748,954	2,168,402	-	114,237	-	-	3,068,615
In-kind	-	311,453	-	-	-	-	-	311,453
Other costs	5,858	572,041	152,876	57,894	65,494	21,181	388,921	1,264,265
Total direct cost	491,392	3,019,188	3,593,189	984,713	432,156	21,181	878,948	9,420,767
Shared costs	95,385	297,322	260,232	171,913	54,096	-	(878,948)	-
Total expenses	586,777	3,316,510	3,853,421	1,156,626	486,252	21,181	-	9,420,767
Revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,477</u>	<u>\$ 163,552</u>	<u>\$ (450,809)</u>	<u>\$ -</u>	<u>\$ 223,220</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2014

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 164,589			\$ 164,589	\$ -	
State Funds		136,497			136,497	-	
Local Funds		<u>-</u>			<u>285,691</u>	<u>285,691</u>	
		<u>301,086</u>			<u>586,777</u>	<u>285,691</u>	
Expenses							
Community & Economic Planning & Development	120	42,768	50,074	11,307	61,381	18,613	
Community Development Block Grant	125	10,000	25,542	5,580	31,122	21,122	
ARC Planning	130	201,988	325,501	59,217	384,718	182,730	
Management Assistance	140	29,402	49,164	10,144	59,308	29,906	
Program Administration	150	<u>16,928</u>	<u>41,111</u>	<u>9,137</u>	<u>50,248</u>	<u>33,320</u>	
		<u>301,086</u>	<u>491,392</u>	<u>95,385</u>	<u>586,777</u>	<u>285,691</u>	<u>-</u>
Revenues over expenses							
		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING
for the year ended June 30, 2014

	Agency Adminis- tration	Social Services III-B	Cong. Meals III-C1	H.D. Meals III-C2	NSIP	Preventative Health III-D	Care- giver III-E	Elder Abuse VII	Ombuds- man VII	Total Homecare	Total Adult Day	State LTC Ombuds- man	KY Caregiver	Total Contract
Revenues														
Federal grant	\$ 85,919	\$ 276,938	\$ 308,833	\$ 163,157	\$ 53,559	\$ 16,757	\$ 119,053	\$ 4,578	\$ 8,036	\$ -	\$ -	\$ -	\$ -	\$ 1,036,830
State grant	39,344	81,170	43,476	62,291	-	11,485	-	754	1,140	942,469	147,167	41,328	132,108	1,502,732
Local	-	8,696	-	-	-	-	-	-	-	40,215	-	-	-	48,911
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	41,936	77,861	100,819	67,318	-	1,368	-	1,361	2,285	42,261	18,180	-	-	353,389
Program income	-	8,553	67,019	9,539	-	-	-	-	-	8,619	-	-	-	93,730
Local funds applied	2,413	9,033	25,516	8,697	12	-	39,684	557	1,039	29,683	2,797	4,829	1,570	125,831
Total revenues	169,612	462,251	545,663	311,002	53,571	29,610	158,737	7,250	12,500	1,063,247	168,144	46,157	133,678	3,161,423
Expenses														
Salaries	72,044	97,746	114,424	102,489	-	-	24,033	2,487	4,291	248,469	25,388	19,370	22,834	733,575
Fringe benefits	62,521	84,251	86,320	44,696	-	-	13,066	1,986	3,427	169,788	14,922	15,470	13,858	510,305
Staff travel	3,733	985	-	34	-	-	92	396	683	9,012	937	3,083	131	19,086
Subgrantees/Contractual	-	82,982	-	-	-	28,242	86,195	-	-	451,119	97,616	-	2,800	748,954
In-kind	-	77,861	100,819	67,318	-	1,368	-	1,361	2,285	42,261	18,180	-	-	311,453
Other costs	3,943	81,282	202,317	59,755	53,571	-	26,374	94	214	48,657	1,422	1,013	84,719	563,361
Total direct cost	142,241	425,107	503,880	274,292	53,571	29,610	149,760	6,323	10,900	969,306	158,465	38,936	124,342	2,886,734
Shared costs	27,371	37,144	41,783	36,710	-	-	8,977	927	1,600	93,941	9,679	7,221	9,336	274,689
Total expenses	169,612	462,251	545,663	311,002	53,571	29,610	158,737	7,250	12,500	1,063,247	168,144	46,157	133,678	3,161,423
Revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	CMS SHIP	ADRC-B	CDSME	FAST	IAO	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	HBE	Total Contract
Revenues										
Federal grant	\$ 53,887	\$ 2,300	\$ 6,488	\$ 3,000	\$ 4,938	\$ 11,800	\$ 11,800	\$ 6,954	\$ 40,090	\$ 141,257
State grant	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Local funds applied	<u>1,905</u>	<u>213</u>	<u>1</u>	<u>225</u>	<u>1</u>	<u>4,951</u>	<u>6,534</u>	<u>-</u>	<u>-</u>	<u>13,830</u>
 Total revenues	<u>55,792</u>	<u>2,513</u>	<u>6,489</u>	<u>3,225</u>	<u>4,939</u>	<u>16,751</u>	<u>18,334</u>	<u>6,954</u>	<u>40,090</u>	<u>155,087</u>
 Expenses										
Salaries	20,330	880	1,829	1,525	2,475	5,451	8,115	2,850	17,995	61,450
Fringe benefits	24,369	799	825	573	1,580	6,184	6,275	2,836	15,081	58,522
Staff travel	1,994	-	199	-	-	314	597	-	698	3,802
Subgrantees/Contractual	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-
Other costs	<u>1,119</u>	<u>500</u>	<u>2,927</u>	<u>497</u>	<u>-</u>	<u>3,139</u>	<u>-</u>	<u>250</u>	<u>248</u>	<u>8,680</u>
 Total direct cost	47,812	2,179	5,780	2,595	4,055	15,088	14,987	5,936	34,022	132,454
 Shared costs	<u>7,980</u>	<u>334</u>	<u>709</u>	<u>630</u>	<u>884</u>	<u>1,663</u>	<u>3,347</u>	<u>1,018</u>	<u>6,068</u>	<u>22,633</u>
 Total expenses	<u>55,792</u>	<u>2,513</u>	<u>6,489</u>	<u>3,225</u>	<u>4,939</u>	<u>16,751</u>	<u>18,334</u>	<u>6,954</u>	<u>40,090</u>	<u>155,087</u>
 Revenue over expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HEMOCARE / ADULT DAY CARE
for the year ended June 30, 2014

	Homecare			Total Homecare	Adult Day Care		Total ADC
	Admin	Case Management	H.D.Meals		Admin	Case Management	
Revenues							
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	93,497	711,061 A	137,911	942,469	14,717	132,450	147,167
Local	-	40,215	-	40,215	-	-	-
Other	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-
In-kind	-	-	42,261	42,261	-	18,180	18,180
Program income	-	4,292	4,327	8,619	-	-	-
Local funds applied	<u>6,956</u>	<u>16,374</u>	<u>6,353</u>	<u>29,683</u>	<u>201</u>	<u>2,596</u>	<u>2,797</u>
Total revenues	<u>100,453</u>	<u>771,942</u>	<u>190,852</u>	<u>1,063,247</u>	<u>14,918</u>	<u>153,226</u>	<u>168,144</u>
Expenses							
Salaries	43,649	147,933	56,887	248,469	8,129	17,259	25,388
Fringe benefits	39,339	97,039	33,410	169,788	3,601	11,321	14,922
Staff travel	963	8,028	21	9,012	-	937	937
Subgrantees/Contractual	-	451,119	-	451,119	-	97,616	97,616
In-kind	-	-	42,261	42,261	-	18,180	18,180
Other costs	<u>714</u>	<u>12,188</u>	<u>35,755</u>	<u>48,657</u>	<u>-</u>	<u>1,422</u>	<u>1,422</u>
Total direct cost	84,665	716,307	168,334	969,306	11,730	146,735	158,465
Shared costs	<u>15,788</u>	<u>55,635</u>	<u>22,518</u>	<u>93,941</u>	<u>3,188</u>	<u>6,491</u>	<u>9,679</u>
Total expenses	<u>100,453</u>	<u>771,942</u>	<u>190,852</u>	<u>1,063,247</u>	<u>14,918</u>	<u>153,226</u>	<u>168,144</u>
Revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**A - Included \$7,574 in funds received this year
based upon 2011 and 2012 audit recoveries.
(\$4,800 for 2011 and \$2,774 for 2012)**

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
WORKFORCE INVESTMENT ACT
for the year ended June 30, 2014

	WIA Administration	WIA Adult CM	WIA Youth CM	WIA DW CM	WIA RR	WIA Trade	WIA Web Design	WIA Program	WIA Total
Revenues									
Federal grant	\$ 326,594	\$ 510,325	\$ 372,012	\$ 257,293	\$ 3,023	\$ 214,682	\$ 1,090	\$ 2,168,402	\$ 3,853,421
State grant	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-
Total revenues	326,594	510,325	372,012	257,293	3,023	214,682	1,090	2,168,402	3,853,421
Expenses									
Salaries	139,521	190,339	167,729	91,983	1,576	94,149	614	-	685,911
Fringe benefits	87,018	167,587	121,277	77,110	1,049	83,263	315	-	537,619
Travel	12,628	13,238	14,677	4,546	-	3,292	-	-	48,381
Subgrantees/Contractual	-	-	-	-	-	-	-	2,168,402	2,168,402
In-kind	-	-	-	-	-	-	-	-	-
Other costs	34,179	67,031	4,384	46,423	-	859	-	-	152,876
Total direct cost	273,346	438,195	308,067	220,062	2,625	181,563	929	2,168,402	3,593,189
Shared costs	53,248	72,130	63,945	34,825	508	35,415	161	-	260,232
Total expenditures	326,594	510,325	372,012	254,887	3,133	216,978	1,090	2,168,402	3,853,421
Revenues over expenses	\$ -	\$ -	\$ -	\$ 2,406	\$ (110)	\$ (2,296)	\$ -	\$ -	\$ -

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

	HCB Support Brok.	HCB Fin. Mgmt.	Total CDO
Revenues			
Federal grant	\$ -	\$ -	\$ -
State grant	-	-	-
Local	-	-	-
Other	1,209,613	457,490	1,667,103
Interest on advance	-	-	-
In-kind	-	-	-
Program income	-	-	-
Local funds applied	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	1,209,613	457,490	1,667,103
	<hr/>	<hr/>	<hr/>
Expenses			
Salaries	399,036	62,789	461,825
Fringe benefits	378,086	55,754	433,840
Staff travel	29,812	1,342	31,154
Subgrantees/Contractual	-	-	-
In-kind	-	-	-
Other costs	39,739	18,155	57,894
	<hr/>	<hr/>	<hr/>
Total direct cost	846,673	138,040	984,713
	<hr/>	<hr/>	<hr/>
Shared costs	148,602	23,311	171,913
	<hr/>	<hr/>	<hr/>
Total expenses	995,275	161,351	1,156,626
	<hr/>	<hr/>	<hr/>
Revenues over expenses	<u>\$ 214,338</u>	<u>\$ 296,139</u>	<u>\$ 510,477</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2014

	Transportation Planning	Transportation Road Updates	Pennyrile AG Mapping Project	RLF	KIA	ARC Leader In Me	Miscellaneous Contracts	Total
Revenues								
Federal	\$ -	\$ 13,676	\$ 22,772	\$ -	\$ -	\$ 86,773	\$ -	\$ 123,221
State	78,067	3,419	-	-	102,750	-	-	184,236
Local	-	-	-	-	-	-	-	-
Other	8,674	-	-	16,312	-	27,464	208,543	260,993
Interest on advance	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-
Applied to programs	35,509	87	3,107	-	42,651	-	-	81,354
Total revenues	122,250	17,182	25,879	16,312	145,401	114,237	208,543	649,804
Expenses								
Salaries	58,543	8,986	13,669	4,828	58,958	-	-	144,984
Employee benefits	39,032	4,220	7,724	2,666	49,370	-	-	103,012
Travel	754	902	-	-	2,773	-	-	4,429
Subgrantees/Contractual	-	-	-	-	-	114,237	-	114,237
In-kind	-	-	-	-	-	-	-	-
Other costs	1,648	-	-	1,640	12,065	-	50,141	65,494
Total direct cost	99,977	14,108	21,393	9,134	123,166	114,237	50,141	432,156
Shared costs	22,273	3,074	4,486	2,028	22,235	-	-	54,096
Total expenses	122,250	17,182	25,879	11,162	145,401	114,237	50,141	486,252
Revenues over expenses	\$ -	\$ -	\$ -	\$ 5,150	\$ -	\$ -	\$ 158,402	\$ 163,552

**LAKE CUMBERLAND DEVELOPMENT DISTRICT
SUPPLEMENTAL STATEMENT OF OPERATIONS
WORKFORCE INVESTMENT ACT
for the year ended June 30, 2014**

Grant number	WIA 205BE11	WIA 205BE12	WIA 270AD13	WIA 270AD14	WIA 271DW13	WIA 271DW14	WIA 272DW13	WIA 272DW14	WIA 273AD13	WIA 273AD14	WIA 274YT12	WIA 274YT13	WIA 274YT14	WIA 274SR15	WIA Total
Revenues															
Federal grant	\$ 41,211	\$ 454,934	\$ 8,686	\$ 21,072	\$ 760,492	\$ 255,745	\$ 113,915	\$ 159,875	\$ 547,537	\$ 554,129	\$ 78,783	\$ 175,154	\$ 681,688	\$ 200	\$ 3,853,421
State grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	41,211	454,934	8,686	21,072	760,492	255,745	113,915	159,875	547,537	554,129	78,783	175,154	681,688	200	3,853,421
Expenses															
Administration	-	-	8,686	2,107	76,000	-	11,598	4,344	111,374	-	-	112,484	-	-	326,593
Adult Case Management	-	-	-	18,965	127,612	-	-	-	114,123	249,624	-	-	-	-	510,324
Adult Training & Services	-	-	-	-	172,388	-	-	-	322,040	304,505	-	-	-	-	798,933
Youth Case Management	-	-	-	-	-	-	-	-	-	-	-	41,917	329,824	-	371,741
Youth Training & Services	-	-	-	-	-	-	-	-	-	-	78,783	20,753	351,864	200	451,600
DW Case Management	-	-	-	-	130,468	50,692	13,237	65,531	-	-	-	-	-	-	259,928
DW Training & Services	-	-	-	-	244,439	174,299	-	-	-	-	-	-	-	-	418,738
Rapid Response	-	-	-	-	-	4,350	-	-	-	-	-	-	-	-	4,350
Rapid Response Case Mgmt.	-	-	-	-	9,585	26,404	89,080	90,000	-	-	-	-	-	-	215,069
Trade	41,211	454,934	-	-	-	-	-	-	-	-	-	-	-	-	496,145
Total direct and shared costs	41,211	454,934	8,686	21,072	760,492	255,745	113,915	159,875	547,537	554,129	78,783	175,154	681,688	200	3,853,421
Revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS	LCADD	Development Council	Combined
Current assets			
Cash	\$ 3,230,596	\$ 191,426	\$ 3,422,022
Certificates of deposit	1,050,000	-	1,050,000
Accounts receivable			
Federal, state and local grants	1,177,859	-	1,177,859
Consumer Directed Option	348,053	-	348,053
Prepaid expenses	<u>66,183</u>	<u>60,996</u>	<u>127,179</u>
Total current assets	<u>5,872,691</u>	<u>252,422</u>	<u>6,125,113</u>
Other assets			
RLF cash, restricted	985,497	-	985,497
RLF Notes receivable	335,324	-	335,324
Property and equipment, net	<u>-</u>	<u>1,416,023</u>	<u>1,416,023</u>
Total other assets	<u>1,320,821</u>	<u>1,416,023</u>	<u>2,736,844</u>
Total assets	<u>\$ 7,193,512</u>	<u>\$ 1,668,445</u>	<u>\$ 8,861,957</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 454,147	\$ -	\$ 454,147
Accrued expenses	130,978	-	130,978
Unearned grant revenue	4,617	-	4,617
Current portion of notes payable	<u>-</u>	<u>72,460</u>	<u>72,460</u>
Total current liabilities	<u>589,742</u>	<u>72,460</u>	<u>662,202</u>
Long-term liabilities			
Accrued annual leave	207,399	-	207,399
Notes payable	<u>-</u>	<u>759,255</u>	<u>759,255</u>
Total long-term liabilities	<u>207,399</u>	<u>759,255</u>	<u>966,654</u>
Total liabilities	<u>797,141</u>	<u>831,715</u>	<u>1,628,856</u>
Net position			
Net investment in capital assets	-	584,308	584,308
Restricted	1,320,821	-	1,320,821
Unrestricted	<u>5,075,550</u>	<u>252,422</u>	<u>5,327,972</u>
Total net position	<u>6,396,371</u>	<u>836,730</u>	<u>7,233,101</u>
Total liabilities and net position	<u>\$ 7,193,512</u>	<u>\$ 1,668,445</u>	<u>\$ 8,861,957</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2014

	LCADD	Development Council	Combined
OPERATING REVENUES			
Federal	\$ 5,319,318	\$ -	\$ 5,319,318
Commonwealth of Kentucky	1,823,465	-	1,823,465
In-kind	353,389	-	353,389
Other and local	<u>1,942,082</u>	<u>189,888</u>	<u>2,131,970</u>
 Total revenues	 <u>9,438,254</u>	 <u>189,888</u>	 <u>9,628,142</u>
 OPERATING EXPENSES			
Salaries	2,614,135	-	2,614,135
Fringe benefits	2,018,593	-	2,018,593
Travel	143,706	-	143,706
Subgrantees/Contractual	3,068,615	-	3,068,615
Supplies	56,935	-	56,935
Postage	18,532	-	18,532
Dues, fees and subscriptions	21,780	-	21,780
Non-capital grant purchases and leases	118,514	83,177	201,691
Depreciation and amortization	-	81,392	81,392
In-kind	311,453	-	311,453
Other	<u>857,722</u>	<u>5,311</u>	<u>863,033</u>
			-
 Total expenses	 <u>9,229,985</u>	 <u>169,880</u>	 <u>9,399,865</u>
 OPERATING INCOME	 208,269	 20,008	 228,277
 NON-OPERATING INCOME (EXPENSE)			
Bank interest income	15,845	4,658	20,503
Interest expense	<u>-</u>	<u>(25,560)</u>	<u>(25,560)</u>
 Change in net position	 224,114	 (894)	 223,220
 Net position - beginning of year	 6,122,147	 837,624	 6,959,771
 Adjustment for unearned income and prior years accounts receivable	 <u>50,110</u>	 <u>-</u>	 <u>50,110</u>
 NET POSITION - END OF YEAR	 <u>\$ 6,396,371</u>	 <u>\$ 836,730</u>	 <u>\$ 7,233,101</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COMBINING STATEMENT OF CASH FLOWS
for the year ended June 30, 2014

	LCADD	Development Council	Combined
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from grantor agencies	\$ 9,085,504	\$ -	\$ 9,085,504
Local cash received	2,308,464	189,888	2,498,352
Payments to suppliers	(6,574,760)	(107,163)	(6,681,923)
Payments for employee services and benefits	(4,613,335)	-	(4,613,335)
Net cash provided by operating activities	<u>205,873</u>	<u>82,725</u>	<u>288,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	(71,607)	(71,607)
Interest expense	-	(25,560)	(25,560)
Net cash (used in) capital and related financing activities	<u>-</u>	<u>(97,167)</u>	<u>(97,167)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest income	<u>15,845</u>	<u>4,658</u>	<u>20,503</u>
Net cash provided by investing activities	<u>15,845</u>	<u>4,658</u>	<u>20,503</u>
Net increase (decrease) in cash and cash equivalents	221,718	(9,784)	211,934
Cash and cash equivalents - beginning of the year	<u>3,994,375</u>	<u>201,210</u>	<u>4,195,585</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 4,216,093</u>	<u>\$ 191,426</u>	<u>\$ 4,407,519</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 208,269	\$ 20,008	228,277
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	81,392	81,392
Adjustments for unearned revenue	50,110	-	50,110
Change in assets and liabilities:			
Receivables, net	239,508	-	239,508
Prepaid expenses	62,305	(1,580)	60,725
Loans receivable	184,221	-	184,221
Accounts and other payables	(544,020)	(17,095)	(561,115)
Accrued expenses	(18,528)	-	(18,528)
Accrued leave	19,391	-	19,391
Unearned revenue	4,617	-	4,617
Net cash provided by operating activities	<u>\$ 205,873</u>	<u>\$ 82,725</u>	<u>\$ 288,598</u>
Cash and cash equivalents consists of the following:			
Unrestricted cash	\$ 3,230,596	\$ 191,426	\$ 3,422,022
Restricted cash	<u>985,497</u>	<u>-</u>	<u>985,497</u>
Total cash and cash equivalents	<u>\$ 4,216,093</u>	<u>\$ 191,426</u>	<u>\$ 4,407,519</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States, the financial statements of the Lake Cumberland Area Development District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

Purpose of this Report

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

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 3, 2015

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Lake Cumberland Area Development District's (the District) compliance with the types of compliance requirements described in the **OMB Circular A-133 Compliance Supplement** that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2014.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(CONTINUED)**

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 3, 2015

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2014

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
U.S. Department of Commerce				
Economic Development Administration				
Passed through State (DLG) (Note 1)				
JFA-Community and Economic Assistance	11.302	FY 2014 JFA MOA	07/01/13-06/30/14	\$ 28,992
JFA-Management Assistance	11.302	FY 2014 JFA MOA	07/01/13-06/30/14	19,932
JFA-Program Assistance	11.302	FY 2014 JFA MOA	07/01/13-06/30/14	<u>11,476</u>
Total				<u>60,400</u>
Passed through Pennyrile ADD				
AG Mapping Project	11.307	MOU	07/1/13-06/30/15	22,772
Revolving Loan Fund (Note 3)	11.300	N/A	Perpetual	<u>905,667</u>
Total U.S. Department of Commerce Cluster				<u>928,439</u>
Total U.S Department of Commerce				<u>988,839</u>
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG) (Note 1)				
JFA- CDBG	14.218	FY 2014 JFA MOA	07/01/13-06/30/14	<u>5,000</u>
Appalachian Regional Commission				
Direct Award				
ARC Planning	23.009	KY-0702F-C43	01/1/13-12/31/13	47,686
ARC Planning	23.009	KY-0702F-C45	01/1/14-12/31/14	51,503
ARC Leader in Me	23.001	KY-17490-13	05/1/13-09/30/15	<u>86,773</u>
Total ARC				<u>185,962</u>
U.S. Department of Health and Human Services (HHS)				
Passed through State (CFHS/DAIL) (Note 2)				
Title III B Support Services	93.044	PON2 725 1300002019 3	07/01/13-06/30/14	305,211
Title III C1 Congregate Meals	93.045	PON2 725 1300002019 3	07/01/13-06/30/14	339,015
Title III C2 Home Delivered Meals	93.045	PON2 725 1300002019 3	07/01/13-06/30/14	179,102
NSIP	93.053	PON2 725 1300002019 3	07/01/13-06/30/14	<u>53,559</u>
Total aging cluster				876,887
Title VII Elder Abuse	93.041	PON2 725 1300002019 3	07/01/13-06/30/14	4,578
Title VII Ombudsman	93.042	PON2 725 1300002019 3	07/01/13-06/30/14	8,036
Title III D Preventative Health	93.043	PON2 725 1300002019 3	07/01/13-06/30/14	16,757
ADRC-B	93.048	PON2 725 1300002038 2	07/01/13-06/30/14	2,300
Title III E Caregiver	93.052	PON2 725 1300002019 3	07/01/13-06/30/14	130,572
FAST	93.069	PON2 725 1300002038 2	07/01/13-06/30/14	3,000
MIPPA SHIP	93.071	PON2 725 1300002038 2	07/01/13-06/30/14	11,800
MIPPA AAA	93.071	PON2 725 1300002038 2	07/01/13-06/30/14	11,800
MIPPA ADRC	93.071	PON2 725 1300002038 2	07/01/13-06/30/14	6,954
Health Benefits Exchange	93.525	PON2 725 1300002038 2	07/01/13-06/30/14	40,090
CDSME - ARRA	93.725	PON2 725 1300002038 2	07/01/13-06/30/14	6,488
CMS SHIP	93.779	PON2 725 1300002038 2	07/01/13-06/30/14	53,887
IAO	93.945	PON2 725 1300002038 2	07/01/13-06/30/14	<u>4,938</u>
Total HHS				<u>1,178,087</u>
Subtotal				<u>\$ 2,357,888</u>

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Lake Cumberland Area Development District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
for the year ended, June 30, 2014

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
Subtotal federal awards from previous page				<u>\$ 2,357,888</u>
U.S. Department of Labor (DOL)				
Passed through State (ECDWI) (Note 4)				
WIA Adult Programs	17.258	PON2 531 1200002701 2	07/1/12-06/30/14	1,131,424
WIA Youth Activities	17.259	PON2 531 1200002701 2	07/1/12-06/30/14	935,825
WIA Dislocated Worker	17.278	PON2 531 1200002701 2	07/1/12-06/30/14	<u>1,290,027</u>
WIA Cluster				3,357,276
WIA Trade Training	17.245	PON2 531 1200002701 2	07/1/12-06/30/14	<u>496,145</u>
Total DOL				<u>3,853,421</u>
U.S. Federal Highway Administration (FHWA)				
Passed through the State (KTC). (Note 5)				
Road updates, various counties	20.205	MOA	07/01/12-05/30/14	<u>13,676</u>
Total FHWA				<u>13,676</u>
Total federal awards				6,224,985
Less: Revolving loan programs that do not reflect current year activity				<u>(905,667)</u>
Total federal awards reported in the financial statements				<u>\$ 5,319,318</u>

Notes:

- 1) The Joint Funding Administration (JFA) program, which is reported under various federal agencies, is passed through the Commonwealth of Kentucky, Department of Local Government (DLG).
- 2) The Health & Human Services programs are passed through from the Commonwealth of Kentucky, Cabinet for Health and Family Services (CFHS), Department of Aging and Independent Living (DAIL).
- 3) The EDA-Revolving Loan Program includes a capital balance of \$1,320,821 - 68% of which is Federal (\$898,158); and administrative expenses of \$11,042 - 68% of which is Federal (\$7,509). Grand total Federal share equals \$905,667.
- 4) The Department of Labor programs are passed through from the Commonwealth of Kentucky, Education Cabinet, Department of Workforce Investment (ECDWI).
- 5) The Federal Highway Administration programs are passed through from the Commonwealth of Kentucky, Kentucky Transportation Cabinet (KTC).

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Lake Cumberland Area Development District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not
considered to be material weaknesses ☐ Yes ☒ None reported

Non-compliance material to financial statements noted ☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not
considered to be material weaknesses ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Major Programs:

CFDA Number	Name of Federal Program or Cluster
11.300, 11.307	Department of Commerce, Cluster
17.258, 17.259, 17.278	DOL Workforce Investment Act, Cluster
93.044, 93.045, 93.053	HHS Aging and Nutrition Services, Cluster

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

Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE