

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

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**FINANCIAL STATEMENTS  
June 30, 2015**

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## 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 (the District) as of and for the year ended June 30, 2015, 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 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 Lake Cumberland Area Development District, as of June 30, 2015, 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 3–7 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 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 May 2, 2016, on our consideration of the 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 District's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
May 2, 2016

## 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 2015. 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 2015:

#### Condensed Statement of Net Position

	FY 2015	FY 2014	Change
Current Assets	\$ 6,454,370	\$ 6,125,133	\$ 329,237
Capital & Other Assets	2,692,197	2,736,824	(44,627)
Deferred Outflows of Resources	<u>380,005</u>	<u>-</u>	<u>380,005</u>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b><u>\$ 9,526,572</u></b>	<b><u>\$ 8,861,957</u></b>	<b><u>\$ 664,615</u></b>
Current Liabilities	\$ 808,039	\$ 662,202	\$ 145,837
Long-term Liabilities	5,093,046	966,654	4,126,392
Deferred Inflows of Resources	<u>374,400</u>	<u>-</u>	<u>374,400</u>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>6,275,485</b>	<b>1,628,856</b>	<b>4,646,629</b>
Net position			
Net Investment in Capital Assets	607,325	584,308	23,017
Restricted	1,325,624	1,320,821	4,803
Unrestricted	<u>1,318,138</u>	<u>5,327,972</u>	<u>(4,009,834)</u>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</b>	<b><u>\$ 9,526,572</u></b>	<b><u>\$ 8,861,957</u></b>	<b><u>\$ 664,615</u></b>

## 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

	<b>FY 2015</b>	<b>FY 2014</b>	<b>Change</b>
Operating Revenues			
Federal	\$ 5,747,828	\$ 5,319,318	\$ 428,510
State	2,119,977	1,823,465	296,512
In-kind	310,697	353,389	(53,284)
Other and Local	<u>2,134,350</u>	<u>2,131,970</u>	<u>2,380</u>
Total Operating Revenues	<u>10,312,852</u>	<u>9,628,142</u>	<u>674,118</u>
Operating Expenses			
Salaries & Fringe	4,578,746	4,632,728	(53,982)
Subgrantees & Contractual	3,609,815	3,068,615	541,200
Other	<u>1,771,422</u>	<u>1,698,522</u>	<u>62,308</u>
Total Operating Expenses	<u>9,959,983</u>	<u>9,399,865</u>	<u>549,526</u>
Operating Income	<u>352,869</u>	<u>228,277</u>	<u>124,592</u>
Non-Operating Income (Expense)			
Bank Interest Income	13,185	20,503	(7,318)
Interest Expense	<u>(24,701)</u>	<u>(25,560)</u>	<u>859</u>
Total Non-Operating Income	<u>(11,516)</u>	<u>(5,057)</u>	<u>(6,459)</u>
Change in Net Position	341,353	223,220	118,133
Adjustments for Prior Year	-	50,110	(50,110)
Net Position, Beginning of Year (restated)	<u>2,909,734</u>	<u>6,959,771</u>	<u>(4,050,037)</u>
Net Position, End of Year	<u>\$ 3,251,087</u>	<u>\$ 7,233,101</u>	<u>\$ (3,982,014)</u>

The significant change (restatement) in net position is directly related to the implementation of GASB Statement 68 which requires the District to report its proportionate share of the unfunded liability of the CERS pension plan which the District participates in.

### CAPITAL ASSETS

The District invested \$21,478 in capital assets for fiscal year 2015. Accumulated depreciation increased \$70,928 from fiscal year 2014 to fiscal year 2015, leaving a remaining balance of \$1,366,573 in net capital assets.

	<b>Balance June 30, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
Land, Not Depreciated	\$ 70,000	\$ -	\$ -	\$ 70,000
Property & Equipment	2,414,216	21,478	-	2,435,694
Accumulated Depreciation	<u>(1,068,193)</u>	<u>(70,928)</u>	<u>-</u>	<u>(1,139,121)</u>
Net Capital Assets	<u>\$ 1,416,023</u>	<u>\$ (49,450)</u>	<u>-</u>	<u>\$ 1,366,573</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, 2015 totaled \$466,835 compared to \$526,663 in 2014.

	Balance June 30, 2014	Additions	Payments	Balance June 30, 2015
Notes Payable	<u>\$ 831,715</u>	<u>\$ -</u>	<u>\$ (72,467)</u>	<u>\$ 759,248</u>

### 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 \$1,017,349.73 in FY-14 to \$950,413.17 in FY-15. This is a \$66,936.56 decrease or 6.58%. WIA formula funding for Dislocated Workers increased from \$751,900.06 in FY-14 to \$829,344.68 in FY-15. This is a \$77,444.62 increase or 9.34%. WIA formula funding for Youth was \$984,929.79 in FY-14. Under normal circumstances the allocation for FY-15 is received in April but due to the transition from WIA to WIOA the allocation will not be received until July 2015. Planning numbers indicate the number to be \$964,850.40 which would equate to a \$20,079.39 decrease or 2.04%. Trade funding increased from \$450,000 in FY-14 to \$1,500,000.00 in FY-15. This is an increase of \$1,050,000.00 or 70%. This large increase was due to the closing and moving of Fruit of the Loom in Jamestown to another country. The Adult, Dislocated Worker and Youth funding amounts changes are reflective of the continued number of local areas showing high unemployment number across the state. FY-16 Adult, Dislocated Worker and Youth funding will be dependent on how lower unemployment rates that have occurred thru out 2015 effects the local areas. Trade funding will increase due to large plant shutdown whose employees are Trade eligible.

Rapid Response Funds were received in the amount of \$160,000.00 for Trade Case Management.

The Cumberlands WIA received \$50,000.00 of Statewide Reserve Incentive funds during FY-15 for meeting the standards to be certified as a High Impact WIB.

\$127,423.00 in funds was received under Kentucky's KCCGO grant to work and serve the long term unemployed.

The Workforce Department staff experienced no changes during FY-15.



## **Management's Discussion and Analysis**

### **Planning Department**

During FY-15, the LCADD Planning Department had an income totaling \$227,846.66 through contracts with the Kentucky Transportation Cabinet, Pennyrile ADD, and the Kentucky Infrastructure Authority. Current contracts for FY-15 total \$203,111, an 11% decrease from last year.

These contracts are as follows:

Transportation Planning	\$78,067.00
Water and Wastewater Planning	\$98,059.00
Local Road Updates	\$15,200.00
Ag Asset Mapping	\$9,785.66
Local Contracts	\$2,000.00
Total:	\$203,111.00

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-15, the Department for Aging and Independent Living received cuts in the following federal programs: Title III-C1 Congregate Meals, Title III-C2 Home Delivered Meals, Title III-D Preventive Health, Title III-E Family Caregiver, Title VII Ombudsman, State Long Term Care Ombudsman and SHIP. Funding remained the same as in the previous year for: Title III-B Supportive Services, Elder Abuse, and the Adult Day Care Program (state funded). The state-funded Homecare Program did receive an increase in its' allocation 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 and expand. During the past year, 520 clients were served in the CDO program.

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

### **Community and Economic Development**

In FY15, staff had administrative contracts for a number of CDBG, EDA, SRF and other projects. There are 8 open CDBG, 1 EDA, 3 State House Bills, 1 HUD, 3 SRF and 5 others being administered by staff. There are 8 projects being administered that do not have administration fees included.

Staff has prepared applications for 23 other potential projects, however only 4 that allow administrative fees. There are 9 projects in the planning phase that could produce administrative contracts.

Staff has administrative contracts for approximately \$266,126 with the potential for approximately \$265,000 more as new projects are funded.

There has been one staff person who left the agency. This person was replaced. We are still left with one vacant position in the department. Current staffing and services will remain unchanged.



## **Management's Discussion and Analysis**

### **FY15 RLF Write-Offs**

There were no loans written-off during FY15.

### **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.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

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**ASSETS**

Current assets

Cash	\$ 3,541,249
Certificates of deposit	1,050,000
Accounts receivable	
Federal, state and local grants	1,391,883
Consumer Directed Option	325,076
Prepaid expenses	<u>146,162</u>
Total current assets	<u>6,454,370</u>

Other assets

Revolving Loan Fund (RLF) cash, restricted	858,789
RLF notes receivable, restricted	466,835
Property and equipment, net	<u>1,366,573</u>
Total other assets	<u>2,692,197</u>
Total assets	9,146,567

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows - Pension	<u>380,005</u>
Total assets and deferred outflows of resources	<u><u>\$ 9,526,572</u></u>

**LIABILITIES AND NET POSITION**

Current liabilities

Accounts payable	\$ 579,970
Accrued expenses	121,747
Unearned revenue	33,862
Current portion of notes payable	<u>72,460</u>
Total current liabilities	<u>808,039</u>

Long-term liabilities

Net pension liability	4,190,368
Accrued annual leave	215,890
Notes payable	<u>686,788</u>
Total long-term liabilities	<u>5,093,046</u>
Total liabilities	<u>5,901,085</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - Pension	<u>374,400</u>
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Net position

Net investment in capital assets	607,325
Restricted	1,325,624
Unrestricted	<u>1,318,138</u>
Total net position	<u>3,251,087</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 9,526,572</u></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, 2015**

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**OPERATING REVENUES**

Federal	\$ 5,747,828
Commonwealth of Kentucky	2,119,977
In-kind	310,697
Other and local	<u>2,134,350</u>

Total revenues	<u>10,312,852</u>
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**OPERATING EXPENSES**

Salaries	2,612,403
Fringe benefits	1,966,343
Travel	127,003
Subgrantees	3,609,815
Supplies	28,372
Postage	6,134
Dues, fees and subscriptions	14,000
Non-capital grant purchases and leases	151,333
Depreciation and amortization	70,928
In-kind	310,697
Other	<u>1,062,955</u>

Total expenses	<u>9,959,983</u>
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<b>OPERATING INCOME</b>	352,869
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**NON-OPERATING INCOME (EXPENSE)**

Bank interest income	13,185
Interest expense	<u>(24,701)</u>

<b>Change in net position</b>	341,353
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<b>Net position - beginning of year, as restated</b>	<u>2,909,734</u>
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<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 3,251,087</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, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from grantor agencies	\$ 7,693,456
Local cash received	2,515,844
Payments to suppliers	(6,923,637)
Payments for employee services and benefits	(3,187,683)
Net cash provided by operating activities	<u>97,980</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(21,478)
Principal paid on capital debt	(72,467)
Interest expense	(24,701)
Net cash (used in) capital and related financing activities	<u>(118,646)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Bank interest income	<u>13,185</u>
Net cash provided by investing activities	<u>13,185</u>
Net increase in cash and cash equivalents	(7,481)
Cash and cash equivalents - beginning of the year	<u>4,407,519</u>

**CASH AND CASH EQUIVALENTS - END OF THE YEAR** \$ 4,400,038

**Reconciliation of operating income to net cash provided by operating activities:**

Excess revenues over expenses	\$ 352,869
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation and amortization	70,928
GASB 68 Pension expense adjustment	(138,609)
Change in assets and liabilities:	
Receivables, net	(191,042)
Prepaid expenses	(18,983)
Loans receivable	(131,511)
Accounts and other payables	125,823
Accrued expenses	(9,231)
Accrued leave	8,491
Unearned revenue	29,245
Net cash provided by operating activities	<u><u>\$ 97,980</u></u>

Cash and cash equivalents consists of the following:

Unrestricted cash	\$ 3,541,249
Restricted cash	<u>858,789</u>
Total cash and cash equivalents	<u><u>\$ 4,400,038</u></u>

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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**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 GASB Statement 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.

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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**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.

**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 as reported on the statement of net position at June 30, 2015 is \$215,890.

**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 \$212,577 in rentals for the year ended June 30, 2015. 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 May 2, 2016, 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, 2015, have not been evaluated by the District.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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**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, 2015 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, 2015:

	<b>District</b>	<b>Council</b>
Cash balances	\$ 5,589,781	\$ 378,876
Money Market investment	(1,910,390)	(178,690)
FDIC Insurance	(500,000)	(200,186)
Collateralized by securities held in District's name	<u>(5,732,794)</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, 2015:

WIA Administration	\$ 143,828
WIA Program	567,916
Aging	484,580
CMRS and Recovery/Mitigation	118,750
AG Planning Grant (PADD)	13,197
KY Transportation	13,448
KY Infrastructure	48,807
RLF Administration	<u>1,357</u>
Total grant receivable	<u>\$ 1,391,883</u>



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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 local area communities.

Revolving loans – business	\$ 859,300
Less: loan repayments	<u>(392,465)</u>
Total	466,835
Less: reserve for bad debts	<u>-</u>
Net loans receivable	<u>\$ 466,835</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 \$70,928, for the year ended June 30, 2015. The following summarizes the changes in fixed assets during the year ended:

	<b>6/30/2014 Balance</b>	<b>FY 2015 Additions</b>	<b>FY 2015 Disposals</b>	<b>6/30/2015 Balance</b>
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Buildings and improvements	1,868,133	-	-	1,868,133
Equipment and vehicles	<u>546,083</u>	<u>21,478</u>	<u>-</u>	<u>567,561</u>
Total	2,484,216	21,478	-	2,505,694
Accumulated depreciation	<u>(1,068,193)</u>	<u>(70,928)</u>	<u>-</u>	<u>(1,139,121)</u>
Net	<u>\$ 1,416,023</u>	<u>\$ (49,450)</u>	<u>\$ -</u>	<u>\$ 1,366,573</u>

**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, 2015:

<b>Grant Name</b>	
Title III-C1	\$ 4,278
Title III-E	6,531
Homecare Case Management	2,310
Adult Daycare PDI	556
KY Caregiver	876
SHIP	296
CDSME	1,343
PADD Mapping	9,785
Leader in Me, in-kind	<u>7,887</u>
Total	<u>\$ 33,862</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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, 2015:

SKRECC, principal due \$3,000 per month bearing interest at a rate of 0%, due 5/2019.	\$ 138,000
Shelby Energy Corp, monthly payment of principal and interest of \$2,760, bearing interest at a rate of 1.8%, due 7/2019.	129,780
USDA Rural Development, annual principal and interest payments of \$28,060, bears interest at a rate of 4.38%, due 1/2049.	<u>491,468</u>
Total debt	759,248
Less: current portion	<u>(72,460)</u>
Total long-term debt	<u>\$ 686,788</u>

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

<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 73,344	\$ 23,841	\$ 97,185
2017	74,252	22,933	97,185
2018	75,185	22,000	97,185
2019	70,144	21,041	91,185
2020	10,507	20,310	30,817
2021-2025	44,177	96,125	140,302
2026-2030	54,737	85,565	140,302
2031-2035	67,822	72,480	140,302
2036-2040	84,034	56,268	140,302
2041-2045	104,122	36,180	140,302
2046-2050	<u>100,924</u>	<u>11,291</u>	<u>112,215</u>
Total	<u>\$ 759,248</u>	<u>\$ 468,034</u>	<u>\$ 1,227,282</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	<b>6/30/2014</b>	<b>Additions</b>	<b>Payments</b>	<b>6/30/2015</b>
Accrued annual leave	\$ 207,399	\$ 196,043	\$ (187,552)	\$ 215,890
Debt	<u>831,715</u>	<u>-</u>	<u>(72,467)</u>	<u>759,248</u>
Totals	<u>\$ 1,039,114</u>	<u>\$ 196,043</u>	<u>\$ (260,019)</u>	<u>\$ 975,138</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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**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 publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*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, 2015, 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, 2015 participating employers contributed 17.67% 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.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$526,642 for the year ended June 30, 2015, or 100% of the required contribution. The contribution was allocated \$380,005 to the CERS pension fund and \$146,637 to the CERS insurance fund.

*Pension Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2015, the District reported a liability of \$4,190,368 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was .129 percent, which was equal to its proportion measured as of June 30, 2013.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**8. RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2015, the District recognized pension expense of \$335,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	374,400
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>380,005</u>	<u>-</u>
Total	<u>\$ 380,005</u>	<u>\$ 374,400</u>

The \$168,832 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2016	\$ (93,600)
2017	(93,600)
2018	(93,600)
2019	(93,600)

*Actuarial Assumptions* – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 - June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**8. RETIREMENT PLAN (CONTINUED)**

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Nominal Real Rate of Return</b>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

*Discount Rate* – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<b>Discount rate</b>	<b>District's proportionate share of net pension liability</b>
1% decrease	6.75%	\$ 5,514,821
Current discount rate	7.75%	\$ 4,190,368
1% increase	8.75%	\$ 3,021,008

*Payable to the Pension Plan* – At June 30, 2015, the District reported a payable of \$43,583 for the outstanding amount of employer contributions to the pension plan required for the year ended June 30, 2015. The payable includes both the pension and insurance contribution allocation.

**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. In the current year, the Council received a grant to purchase a new vehicle. When this vehicle was removed from expense and placed as a depreciable asset, it created net income that roughly equated to the amount of the vehicle.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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**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, 2015 the District received \$1,536,123 from the CDO program for administration and the District was owed \$325,076 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 23. The District is in conformity with 2 CFR Part 225.

**13. RESTATEMENT OF NET POSITION**

Implementation of new accounting standard GASB Statement No. 68

During 2015 the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which 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, Financial Reporting for Pension Plans.

The guidance contained in Statement 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards GASB requires that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 68 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

Net position, at beginning of year	\$ 6,396,371
Beginning net pension liability	<u>(4,323,367)</u>
Net position, at beginning of year, as restated	<u>\$ 2,073,004</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Last Two Fiscal Years\***

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	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability	0.13%	0.13%
District's proportionate share of the net pension liability (asset)	\$ 4,190,368	\$ 4,735,659
District's covered employee payroll	\$ 2,941,160	2,963,395
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	142.47%	159.81%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	61.22%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

\* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS**  
**Last Two Fiscal Years**

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	<b>2015</b>	<b>2014</b>
Contractually required employer contribution	\$ 380,005	\$ 412,284
Contributions relative to contractually required employer contribution	<u>\$ 380,005</u>	<u>\$ 412,284</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,941,160	\$ 2,963,395
Employer contributions as a percentage of covered-employee payroll	12.92%	13.91%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

## **SUPPLEMENTARY INFORMATION**

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**BUDGETARY COMPARISON**  
**for the year ended June 30, 2015**

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	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Federal funds	\$ 3,587,250	\$ 3,587,250	\$ 5,747,828	\$ 2,160,578
State funds	715,538	715,538	2,119,977	1,404,439
In-kind	-	-	310,697	310,697
Other and local	<u>2,065,266</u>	<u>2,065,266</u>	<u>1,934,298</u>	<u>(130,968)</u>
 Total revenues	 <u>6,368,054</u>	 <u>6,368,054</u>	 <u>10,112,800</u>	 <u>3,744,746</u>
<b>EXPENSES</b>				
Salaries and wages	2,900,000	2,900,000	2,612,403	(287,597)
Employee benefits	2,050,000	2,050,000	1,966,343	(83,657)
Travel	150,000	150,000	127,003	(22,997)
Aging pass through to local agencies	400,500	400,500	3,609,815	3,209,315
Supplies	70,000	70,000	28,091	(41,909)
Postage	24,500	24,500	6,134	(18,366)
Dues, fees and subscriptions	47,000	47,000	14,000	(33,000)
Equipment, leases and depreciation	228,000	228,000	85,805	(142,195)
In-kind	-	-	310,697	310,697
Other costs	<u>498,054</u>	<u>498,054</u>	<u>1,057,945</u>	<u>559,891</u>
 Total expenses	 <u>6,368,054</u>	 <u>6,368,054</u>	 <u>9,818,236</u>	 <u>3,450,182</u>
 <b>EXCESS REVENUES OVER EXPENSES</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 294,564</u>	 <u>\$ 294,564</u>

## **COST ALLOCATION POLICY**

## LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT COST ALLOCATION POLICY

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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)**

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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, 2015**

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**Cost Category**

Personnel compensation	\$ 305,102
Fringe benefits	183,375
Travel	30,676
Equipment, leases and depreciation	75,040
Building rentals	132,000
Utilities and telephone	43,903
Janitorial	17,079
Dues, fees and subscriptions	20,569
Printing and publication	5,179
Supplies	23,358
Insurance	40,414
Postage	3,265
Other	<u>26,932</u>
 Total shared costs allocated	 <u>\$ 906,892</u>

**STATEMENTS OF OPERATIONS  
AND  
COMBINING STATEMENTS**

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS BY PROGRAM**  
for the year ended June 30, 2015

	JFA Schedule	Total Area Agency on Aging	WIA	CDO	Other Grants	Local Operations	G & A Expense	Total
<b>Revenues</b>								
Federal	\$ 176,814	\$ 1,147,615	\$ 4,212,708	\$ -	\$ 210,691	\$ -	\$ -	\$ 5,747,828
State	136,557	1,496,882	-	-	486,538	-	-	2,119,977
Local	-	62,764	-	-	-	-	-	62,764
Other	-	-	-	1,536,123	255,617	61,636	-	1,853,376
Interest on advance	-	-	-	-	-	-	-	-
In-kind	-	310,697	-	-	-	-	-	310,697
Program income	-	18,158	-	-	-	-	-	18,158
Local funds applied	223,115	190,097	-	-	73,947	(487,159)	-	-
Total revenues	536,486	3,226,213	4,212,708	1,536,123	1,026,793	(425,523)	-	10,112,800
<b>Expenses</b>								
Salaries	251,254	803,134	693,288	403,962	155,663	-	305,102	2,612,403
Fringe benefits	183,593	568,622	551,047	370,165	109,541	-	183,375	1,966,343
Travel	2,808	23,967	36,773	29,415	3,364	-	30,676	127,003
Subgrantees/Contractual	-	610,556	2,492,494	-	506,765	-	-	3,609,815
In-kind	-	310,697	-	-	-	-	-	310,697
Other costs	2,841	598,305	165,454	78,275	(71,119)	30,480	387,739	1,191,975
Total direct cost	440,496	2,915,281	3,939,056	881,817	704,214	30,480	906,892	9,818,236
Shared costs	95,990	310,932	273,652	165,900	60,418	-	(906,892)	-
Total expenses	536,486	3,226,213	4,212,708	1,047,717	764,632	30,480	-	9,818,236
<b>Revenues over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 488,406</b>	<b>\$ 262,161</b>	<b>\$ (456,003)</b>	<b>\$ -</b>	<b>\$ 294,564</b>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**JOINT FUNDING ADMINISTRATION PROGRAM**  
for the year ended June 30, 2015

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
<b>Revenues</b>							
Federal Funds		\$ 176,814			\$ 176,814	\$ -	
State Funds		136,557			136,557	-	
Local Funds		-			223,115	223,115	
		<u>313,371</u>			<u>536,486</u>	<u>223,115</u>	
<b>Expenses</b>							
Community & Economic Planning & Development	120	45,960	58,317	12,630	70,947	24,987	
Community Development Block Grant	125	10,000	9,932	2,024	11,956	1,956	
ARC Planning	130	207,620	299,445	64,993	364,438	156,818	
Management Assistance	140	31,598	38,386	8,349	46,735	15,137	
Program Administration	150	<u>18,193</u>	<u>34,416</u>	<u>7,994</u>	<u>42,410</u>	<u>24,217</u>	
		<u>313,371</u>	<u>440,496</u>	<u>95,990</u>	<u>536,486</u>	<u>223,115</u>	<u>-</u>
<b>Revenues over expenses</b>		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**AREA AGENCY ON AGING**  
**for the year ended June 30, 2015**

Revenues														
	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	Ombuds- man VII	Elder Abuse VII	Total Homecare	Total Adult Day	State LTC Ombuds- man	KY Caregiver	Total Contract
Federal grant	\$ 25,884	\$ 251,480	\$ 340,035	\$ 188,055	\$ 65,477	\$ 20,885	\$ 117,602	\$ 7,759	\$ 4,578	\$ -	\$ -	\$ -	\$ -	\$ 1,021,755
State grant	8,628	79,100	49,929	71,476	-	14,206	14,781	1,417	775	925,430	149,263	41,287	131,285	1,487,577
Local	-	-	62,764	-	-	-	-	-	-	-	-	-	-	62,764
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	63,050	94,506	62,065	-	-	41,608	1,329	762	36,785	10,592	-	-	310,697
Program income	-	6,782	-	8,914	-	-	-	-	-	2,462	-	-	-	18,158
Local funds applied	9,723	60,629	2,248	24,114	-	-	-	1,008	585	20,950	420	4,573	57	124,307
Total revenues	44,235	461,041	549,482	354,624	65,477	35,091	173,991	11,513	6,700	985,627	160,275	45,860	131,342	3,025,258
Expenses														
Salaries	15,320	110,423	127,060	120,088	-	-	38,629	3,910	2,280	233,500	24,465	17,609	23,541	716,825
Fringe benefits	17,809	89,088	101,327	64,734	-	-	21,605	3,263	1,903	153,536	17,038	14,694	11,534	496,531
Staff travel	2,138	930	185	83	-	-	166	874	510	10,159	1,092	3,936	-	20,073
Subgrantees/Contractual	-	65,435	-	-	-	35,091	-	-	-	414,359	95,671	-	-	610,556
In-kind	-	63,050	94,506	62,065	-	-	41,608	1,329	762	36,785	10,592	-	-	310,697
Other costs	3,116	85,452	176,061	63,790	65,477	-	58,217	462	269	49,206	1,903	2,079	87,687	593,719
Total direct cost	38,383	414,378	499,139	310,760	65,477	35,091	160,225	9,838	5,724	897,545	150,761	38,318	122,762	2,748,401
Shared costs	5,852	46,663	50,343	43,864	-	-	13,766	1,675	976	88,082	9,514	7,542	8,580	276,857
Total expenses	44,235	461,041	549,482	354,624	65,477	35,091	173,991	11,513	6,700	985,627	160,275	45,860	131,342	3,025,258
Revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**AREA AGENCY ON AGING (CONTINUED)**  
for the year ended June 30, 2015

	SHIP	Medicaid ADRC	CDSME	FAST	IAO	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	HBE	Total Contract
<b>Revenues</b>										
Federal grant	\$ 30,460	\$ 9,305	\$ 6,277	\$ 2,000	\$ 2,489	\$ 22,908	\$ 13,603	\$ 4,868	\$ 33,950	\$ 125,860
State grant	-	9,305	-	-	-	-	-	-	-	9,305
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Local funds applied	1,829	54,513	-	308	-	7,831	-	1,118	191	65,790
Total revenues	32,289	73,123	6,277	2,308	2,489	30,739	13,603	5,986	34,141	200,955
<b>Expenses</b>										
Salaries	13,541	32,074	1,540	1,023	1,012	13,534	7,239	2,532	13,814	86,309
Fringe benefits	10,023	27,757	827	753	990	11,346	3,742	2,407	14,246	72,091
Staff travel	2,337	395	205	-	-	606	37	-	314	3,894
Subgrantees/Contractual	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-
Other costs	1,150	12	3,126	174	84	20	-	-	20	4,586
Total direct cost	27,051	60,238	5,698	1,950	2,086	25,506	11,018	4,939	28,394	166,880
Shared costs	5,238	12,885	579	358	403	5,233	2,585	1,047	5,747	34,075
Total expenses	32,289	73,123	6,277	2,308	2,489	30,739	13,603	5,986	34,141	200,955
Revenue over expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**HEMECARE / ADULT DAY CARE**  
**for the year ended June 30, 2015**

	Homecare			Adult Day Care			Total ADC
	Admin	Case Management	H.D.Meals	Admin	Case Management		
<b>Revenues</b>							
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
State grant	92,774	692,136	140,520	15,712	133,551		149,263
Local	-	-	-	-	-		-
Other	-	-	-	-	-		-
Interest on advance	-	-	-	-	-		-
In-kind	-	-	36,785	-	10,592		10,592
Program income	-	-	2,462	-	-		-
Local funds applied	5,571	-	15,379	-	420		420
Total revenues	98,345	692,136	195,146	15,712	144,563		160,275
<b>Expenses</b>							
Salaries	44,911	125,044	63,545	7,549	16,916		24,465
Fringe benefits	33,203	86,896	33,437	5,072	11,966		17,038
Staff travel	1,905	8,236	18	-	1,092		1,092
Subgrantees/Contractual	-	414,359	-	-	95,671		95,671
In-kind	-	-	36,785	-	10,592		10,592
Other costs	568	10,473	38,165	-	1,903		1,903
Total direct cost	80,587	645,008	171,950	12,621	138,140		150,761
Shared costs	17,758	47,128	23,196	3,091	6,423		9,514
Total expenses	98,345	692,136	195,146	15,712	144,563		160,275
<b>Revenues over expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-



**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**WORKFORCE INVESTMENT ACT**  
**for the year ended June 30, 2015**

	WIA Administration	WIA Adult	WIA Youth	WIA DW	WIA RR	WIA Trade	WIA OS	WIA Transition	WIA Program	WIA Total
<b>Revenues</b>										
Federal grant	\$ 347,795	\$ 499,597	\$ 104,309	\$ 241,876	\$ 54	\$ 225,982	\$ 299,249	\$ 1,352	\$ 2,492,494	\$ 4,212,708
State grant	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-	-
Total revenues	347,795	499,597	104,309	241,876	54	225,982	299,249	1,352	2,492,494	4,212,708
<b>Expenses</b>										
Salaries	140,985	185,433	48,442	83,458	30	97,971	136,180	789	-	693,288
Fringe benefits	88,973	169,371	33,500	73,586	15	85,437	99,835	330	-	551,047
Travel	12,263	7,876	525	3,157	-	2,882	10,070	-	-	36,773
Subgrantees/Contractual	-	-	-	-	-	-	-	-	2,492,494	2,492,494
In-kind	-	-	-	-	-	-	-	-	-	-
Other costs	52,534	61,370	2,925	47,723	-	415	487	-	-	165,454
Total direct cost	294,755	424,050	85,392	207,924	45	186,705	246,572	1,119	2,492,494	3,939,056
Shared costs	53,040	75,547	18,917	33,952	9	39,277	52,677	233	-	273,652
Total expenditures	347,795	499,597	104,309	241,876	54	225,982	299,249	1,352	2,492,494	4,212,708
<b>Revenues over expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS**  
**OTHER GRANTS AND PERFORMANCE CONTRACTS**  
for the year ended June 30, 2015

Pre-Disaster Mitigation		Transportation Planning	Transportation Road Updates	Pennyrile AG Mapping Project	RLF	KIA	ARC Leader In Me	SOAR	CMRS Projects	Miscellaneous Contracts	Total
Revenues											
Federal	\$ 4,985	\$ -	\$ 12,160	\$ 26,200	\$ -	\$ -	\$ 167,346	\$ -	\$ -	\$ -	\$ 210,691
State	-	78,065	3,040	8,333	-	97,613	-	-	299,487	-	486,538
Local	-	-	-	-	-	-	-	-	-	-	-
Other	-	8,674	-	7,417	14,852	-	45,924	6,300	-	172,450	255,617
Interest on advance	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-
Applied to programs	50	34,852	181	-	-	34,839	-	-	4,025	-	73,947
Total revenues	5,035	121,591	15,381	41,950	14,852	132,452	213,270	6,300	303,512	172,450	1,026,793
Expenses											
Salaries	2,704	57,149	8,173	22,719	4,312	52,974	-	1,574	6,058	-	155,663
Employee benefits	1,376	38,734	3,868	10,682	2,239	49,931	-	577	2,134	-	109,541
Travel	-	535	538	264	-	1,342	-	653	32	-	3,364
Subgrantees/Contractual	-	-	-	-	-	-	213,270	-	293,495	-	506,765
In-kind	-	-	-	-	-	-	-	-	-	-	-
Other costs	-	3,104	-	-	940	5,863	-	518	-	(81,544)	(71,119)
Total direct cost	4,080	99,522	12,579	33,665	7,491	110,110	213,270	3,322	301,719	(81,544)	704,214
Shared costs	955	22,069	2,802	8,285	1,569	22,342	-	603	1,793	-	60,418
Total expenses	5,035	121,591	15,381	41,950	9,060	132,452	213,270	3,925	303,512	(81,544)	764,632
Revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ 5,792	\$ -	\$ -	\$ 2,375	\$ -	\$ 253,994	\$ 262,161

**LAKE CUMBERLAND DEVELOPMENT DISTRICT  
SUPPLEMENTAL STATEMENT OF OPERATIONS  
WORKFORCE INVESTMENT ACT  
for the year ended June 30, 2015**

Grant number	WIA 206BE12	WIA 206BE13	WIA 270AD15	WIA 271DW14	WIA 271DW15	WIA 272DW14	WIA 272DW15	WIA 273AD14	WIA 273AD15	WIA 274YT14	WIA 274YT15	WIA 274SR15	WIA 270TR15	WIA 274TR15	WIA Total
<b>Revenues</b>															
Federal grant	\$ 91,059	\$ 894,970	\$ 65,411	\$ 680,133	\$ 237,779	\$ 2,938	\$ 117,287	\$ 442,149	\$ 667,258	\$ 261,255	\$ 718,101	\$ 29,810	\$ 3,206	\$ 574	\$ 4,212,708
Slate grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	91,059	894,970	65,411	680,133	237,779	2,938	117,287	442,149	667,258	261,255	718,101	29,810	3,206	574	4,212,708
<b>Expenses</b>															
Administration	-	-	5,339	67,909	-	2,938	11,728	99,628	22,918	93,321	10,998	29,810	3,206	-	347,795
Adult Case Management	-	-	60,072	82,428	16,491	-	-	131,053	209,554	-	-	-	-	-	499,598
Adult Training & Services	-	-	-	167,572	-	-	-	211,468	434,786	-	-	-	-	-	813,826
Youth Case Management	-	-	-	-	-	-	-	-	-	153,085	250,473	-	-	-	403,558
Youth Training & Services	-	-	-	-	-	-	-	-	-	347	456,630	-	-	-	456,977
DW Case Management	-	-	-	56,321	122,594	-	62,961	-	-	14,502	-	-	-	-	241,876
DW Training & Services	-	-	-	79,867	98,694	-	42,598	-	-	-	-	-	-	-	235,661
Rapid Response	-	-	-	55	-	-	-	-	-	-	-	-	-	-	55
Rapid Response Case Mgmt.	-	-	-	225,981	-	-	-	-	-	-	-	-	-	-	225,981
Transition WIOA	-	-	-	-	-	-	-	-	-	-	-	-	-	778	1,352
Trade	91,059	894,970	-	-	-	-	-	-	-	-	-	-	-	-	986,029
Total direct and shared costs	91,059	894,970	65,411	680,133	237,779	2,938	117,287	442,149	667,258	261,255	718,101	29,810	3,206	574	4,212,708
<b>Revenues over expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	LCADD	Development Council	Combined
<b>ASSETS</b>			
Current assets			
Cash	\$ 3,339,888	\$ 201,361	\$ 3,541,249
Certificates of deposit	1,050,000	-	1,050,000
Accounts receivable			
Federal, state and local grants	1,391,883	-	1,391,883
Consumer Directed Option	325,076	-	325,076
Prepaid expenses	<u>71,329</u>	<u>74,833</u>	<u>146,162</u>
Total current assets	<u>6,178,176</u>	<u>276,194</u>	<u>6,454,370</u>
Other assets			
RLF cash, restricted	858,789	-	858,789
RLF Notes receivable	466,835	-	466,835
Property and equipment, net	<u>-</u>	<u>1,366,573</u>	<u>1,366,573</u>
Total other assets	<u>1,325,624</u>	<u>1,366,573</u>	<u>2,692,197</u>
Total assets	7,503,800	1,642,767	9,146,567
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>380,005</u>	<u>-</u>	<u>380,005</u>
Total assets and deferred outflows or resources	<u>\$ 7,883,805</u>	<u>\$ 1,642,767</u>	<u>\$ 9,526,572</u>
<b>LIABILITIES AND NET POSITION</b>			
Current liabilities			
Accounts payable	\$ 579,970	\$ -	\$ 579,970
Accrued expenses	121,747	-	121,747
Unearned grant revenue	33,862	-	33,862
Current portion of notes payable	<u>-</u>	<u>72,460</u>	<u>72,460</u>
Total current liabilities	<u>735,579</u>	<u>72,460</u>	<u>808,039</u>
Long-term liabilities			
Net Pension Liability	4,190,368	-	4,190,368
Accrued annual leave	215,890	-	215,890
Notes payable	<u>-</u>	<u>686,788</u>	<u>686,788</u>
Total long-term liabilities	<u>4,406,258</u>	<u>686,788</u>	<u>5,093,046</u>
Total liabilities	<u>5,141,837</u>	<u>759,248</u>	<u>5,901,085</u>
<b>DEFERRED INFLOWS</b>	<u>374,400</u>	<u>-</u>	<u>374,400</u>
Net investment in capital assets	-	607,325	607,325
Restricted	1,325,624	-	1,325,624
Unrestricted	<u>1,041,944</u>	<u>276,194</u>	<u>1,318,138</u>
Total net position	<u>2,367,568</u>	<u>883,519</u>	<u>3,251,087</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,883,805</u>	<u>\$ 1,642,767</u>	<u>\$ 9,526,572</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**for the year ended June 30, 2015**

	LCADD	Development Council	Combined
<b>OPERATING REVENUES</b>			
Federal	\$ 5,747,828	\$ -	\$ 5,747,828
Commonwealth of Kentucky	2,119,977	-	2,119,977
In-kind	310,697	-	310,697
Other and local	<u>1,921,773</u>	<u>212,577</u>	<u>2,134,350</u>
 Total revenues	 <u>10,100,275</u>	 <u>212,577</u>	 <u>10,312,852</u>
<b>OPERATING EXPENSES</b>			
Salaries	2,612,403	-	2,612,403
Fringe benefits	1,966,343	-	1,966,343
Travel	127,003	-	127,003
Subgrantees/Contractual	3,609,815	-	3,609,815
Supplies	28,091	281	28,372
Postage	6,134	-	6,134
Dues, fees and subscriptions	14,000	-	14,000
Non-capital grant purchases and leases	85,805	65,528	151,333
Depreciation and amortization	-	70,928	70,928
In-kind	310,697	-	310,697
Other	<u>1,057,945</u>	<u>5,010</u>	<u>1,062,955</u>
 Total expenses	 <u>9,818,236</u>	 <u>141,747</u>	 <u>9,959,983</u>
 <b>OPERATING INCOME</b>	 <u>282,039</u>	 <u>70,830</u>	 <u>352,869</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Bank interest income	12,525	660	13,185
Interest expense	<u>-</u>	<u>(24,701)</u>	<u>(24,701)</u>
 <b>Change in net position</b>	 <u>294,564</u>	 <u>46,789</u>	 <u>341,353</u>
 <b>Net position - beginning of year, as restated</b>	 <u>2,073,004</u>	 <u>836,730</u>	 <u>2,909,734</u>
 <b>NET POSITION - END OF YEAR</b>	 <u>\$ 2,367,568</u>	 <u>\$ 883,519</u>	 <u>\$ 3,251,087</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
for the year ended June 30, 2015

	LCADD	Development Council	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from grantor agencies	\$ 7,693,456	\$ -	\$ 7,693,456
Local cash received	2,303,267	212,577	2,515,844
Payments to suppliers	(6,838,981)	(84,656)	(6,923,637)
Payments for employee services and benefits	(3,187,683)	-	(3,187,683)
Net cash provided by operating activities	(29,941)	127,921	97,980
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	-	(21,478)	(21,478)
Principal paid on capital debt	-	(72,467)	(72,467)
Interest expense	-	(24,701)	(24,701)
Net cash (used in) capital and related financing activities	-	(118,646)	(118,646)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Bank interest income	12,525	660	13,185
Net cash provided by investing activities	12,525	660	13,185
Net increase (decrease) in cash and cash equivalents	(17,416)	9,935	(7,481)
Cash and cash equivalents - beginning of the year	4,216,093	191,426	4,407,519
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 4,198,677</u>	<u>\$ 201,361</u>	<u>\$ 4,400,038</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 282,039	\$ 70,830	\$ 352,869
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	70,928	70,928
GASB 68 Pension expense adjustment	(138,609)	-	(138,609)
Change in assets and liabilities:			
Receivables, net	(191,042)	-	(191,042)
Prepaid expenses	(5,146)	(13,837)	(18,983)
Loans receivable	(131,511)	-	(131,511)
Accounts and other payables	125,823	-	125,823
Accrued expenses	(9,231)	-	(9,231)
Accrued leave	8,491	-	8,491
Unearned revenue	29,245	-	29,245
Net cash provided by operating activities	<u>\$ (29,941)</u>	<u>\$ 127,921</u>	<u>\$ 97,980</u>
Cash and cash equivalents consists of the following:			
Unrestricted cash	\$ 3,339,888	\$ 201,361	\$ 3,541,249
Restricted cash	858,789	-	858,789
Total cash and cash equivalents	<u>\$ 4,198,677</u>	<u>\$ 201,361</u>	<u>\$ 4,400,038</u>





**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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 2, 2016.

**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*.



**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.

A handwritten signature in black ink, consisting of the letters 'RFH' in a stylized, bold, and slightly slanted font.

RFH, PLLC  
May 2, 2016



**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, 2015. 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 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, 2015.

## 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.

**RFH**

RFH, PLLC  
May 2, 2016

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2015**

<b>GRANTOR/PROGRAM TITLE</b>	<b>Federal CFDA Number</b>	<b>Pass/Through Contract Number</b>	<b>Grant Contract Period</b>	<b>Expenditures</b>
U.S. Department of Commerce				
Economic Development Administration				
Passed through State (DLG) <b>(Note 1)</b>				
JFA-Community and Economic Assistance	11.302	FY 2015 JFA MOA	07/01/14-06/30/15	\$ 32,256
JFA-Management Assistance	11.302	FY 2015 JFA MOA	07/01/14-06/30/15	22,176
JFA-Program Assistance	11.302	FY 2015 JFA MOA	07/01/14-06/30/15	<u>12,768</u>
Total				<u>67,200</u>
Passed through Pennryle ADD				
AG Mapping Project	11.307	MOU	07/1/13-06/30/15	26,200
Revolving Loan Fund <b>(Note 3)</b>	11.300	N/A	Perpetual	<u>906,518</u>
Total U.S. Department of Commerce Cluster				<u>932,718</u>
Total U.S. Department of Commerce				<u>999,918</u>
U.S. Department of Housing & Urban Development (HUD)				
Passed through State (DLG) <b>(Note 1)</b>				
JFA- CDBG	14.218	FY 2015 JFA MOA	07/01/14-06/30/15	<u>5,000</u>
U.S. Department of Labor (DOL)				
Passed through State (ECDWI) <b>(Note 4)</b>				
WIA Adult Programs	17.258	PON2 531 1400002844 1	07/01/14-06/30/16	1,178,598
WIA Youth Activities	17.259	PON2 531 1400002844 1	07/01/14-06/30/16	1,009,944
WIA Dislocated Worker	17.278	PON2 531 1400002844 1	07/01/14-06/30/16	<u>1,038,137</u>
Total WIA Cluster				<u>3,226,679</u>
WIA Trade Training	17.245	PON2 531 1400002844 1	07/01/14-06/30/16	<u>986,029</u>
Total DOL				<u>4,212,708</u>
Appalachian Regional Commission				
Direct Award				
ARC Planning	23.009	KY-0702F-C43	07/01/14-06/30/15	51,503
ARC Planning	23.009	KY-702-F-C46-15	07/01/14-06/30/15	53,111
ARC Leader in Me	23.001	KY-17490-13	05/01/13-09/30/15	<u>167,346</u>
Total ARC				<u>271,960</u>
U.S. Federal Highway Administration (FHWA)				
Passed through the State (KTC). <b>(Note 5)</b>				
Road updates, various counties	20.205	MOA	07/01/14-06/30/15	<u>12,160</u>
Total FHWA				<u>12,160</u>
Subtotal				<u>\$ 5,501,746</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, 2015**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Expenditures
Subtotal federal awards from previous page				\$ 5,501,746
U.S. Department of Health and Human Services (HHS)				
Passed through State (CHFS/DAIL) ( <b>Note 2</b> )				
Title III B Support Services	93.044	PON2 725 1400001066 3	07/01/14-06/30/15	258,735
Title III C1 Congregate Meals	93.045	PON2 725 1400001066 3	07/01/14-06/30/15	349,845
Title III C2 Home Delivered Meals	93.045	PON2 725 1400001066 3	07/01/14-06/30/15	193,481
NSIP	93.053	PON2 725 1400001074 1	07/01/14-06/30/15	65,477
Total aging cluster				867,538
Title VII Elder Abuse	93.041	PON2 725 1400001073 2	07/01/14-06/30/15	4,578
Title VII Ombudsman	93.042	PON2 725 1400001073 2	07/01/14-06/30/15	7,759
Title III D Preventative Health	93.043	PON2 725 1400001066 3	07/01/14-06/30/15	20,885
ADRC-Medicaid	93.048	PON2 725 1400001160 4	07/01/14-06/30/15	9,305
Title III E Caregiver	93.052	PON2 725 1400001066 3	07/01/14-06/30/15	120,995
FAST	93.069	PON2 725 1400001163 1	07/01/14-06/30/15	2,000
MIPPA SHIP	93.071	PON2 725 1400001168 2	07/01/14-06/30/15	22,908
MIPPA AAA	93.071	PON2 725 1400001168 2	07/01/14-06/30/15	13,603
MIPPA ADRC	93.071	PON2 725 1400001168 2	07/01/14-06/30/15	4,868
Health Benefits Exchange	93.525	PON2 725 1400001167 1	07/01/14-06/30/15	33,950
CDSME	93.725	PON2 725 1400001162 2	07/01/14-06/30/15	6,277
CMS SHIP	93.779	PON2 725 1400001161 3	07/01/14-06/30/15	30,460
IAO	93.945	PON2 725 1400001164 2	07/01/14-06/30/15	2,489
Total HHS				1,147,615
U.S. Department of Homeland Security (DHS)				
Passed through the State ( <b>Note 6</b> )				
(KDEM) Pre-Disaster Mitigation	97.047	PON2 95 1500000910 1	1/30/15-9/30/16	4,985
Total federal awards				6,654,346
Less: Revolving loan programs that do not reflect current year activity				(906,518)
Total federal awards reported in the financial statements				\$ 5,747,828

**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 (CHFS), Department of Aging and Independent Living (DAIL).
- 3) The EDA-Revolving Loan Program includes a capital balance of \$1,325,624 - 68% of which is Federal (\$901,424); and administrative expenses of \$7,491 - 68% of which is Federal (\$5,094). Grand total Federal share equals \$906,518.
- 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).
- 6) The Federal Emergency Management Agency (part of DHS) programs are passed through from the Commonwealth of Kentucky, Kentucky Division of Emergency Management (KDEM).

**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, 2015**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified \_\_Yes XNo

Significant deficiencies identified that are not  
considered to be material weaknesses \_\_Yes XNo

Non-compliance material to financial statements noted \_\_Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified \_\_Yes XNo

Significant deficiencies identified that are not  
considered to be material weaknesses \_\_Yes XNo

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 XNo

**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

17.245

Trade Adjustment Assistance

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? XYes \_No

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**IV. PRIOR AUDIT FINDINGS**

NONE