

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

**FINANCIAL STATEMENTS
June 30, 2016**

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-19
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability.....	20
Schedule of Contributions	21
Supplementary Information	
Budgetary Comparison.....	22
Cost Allocation Policy	23-24
Schedule of Shared Costs.....	25
Statements of Operations by Program	26-34
Combining Statements	35-37
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 <i>Government Auditing Standards</i>	38-39
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	40-41
Schedule of Expenditures of Federal Awards	42-43
Schedule of Findings and Questioned Costs	44



INDEPENDENT AUDITOR'S 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, 2016, 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, 2016, 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, cost allocation information, schedule of shared costs, statements of operations 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 9, 2016, on our consideration of the Lake Cumberland Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 9, 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 2016. 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 2016:

Condensed Statement of Net Position

	FY 2016	FY 2015	Change
Current Assets	\$ 6,265,447	\$ 6,454,370	\$ (188,923)
Capital & Other Assets	2,630,858	2,692,197	(61,339)
Deferred Outflows of Resources	<u>1,023,853</u>	<u>380,005</u>	<u>643,848</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 9,920,158</u>	<u>\$ 9,526,572</u>	<u>\$ 393,586</u>
Current Liabilities	\$ 751,358	\$ 808,039	\$ (56,681)
Long-term Liabilities	6,252,574	5,093,046	1,159,528
Deferred Inflows of Resources	<u>81,738</u>	<u>374,400</u>	<u>(292,662)</u>
Total Liabilities & Deferred Inflows of Resources	7,085,670	6,275,485	802,497
Net position			
Net Investment in Capital Assets	609,747	607,325	2,422
Restricted	1,335,213	1,325,624	(9,589)
Unrestricted	<u>889,528</u>	<u>1,318,138</u>	<u>(420,922)</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>\$ 9,920,158</u>	<u>\$ 9,526,572</u>	<u>\$ 393,586</u>

Management's Discussion and Analysis

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

Condensed Statement of Revenues and Expenses

	FY 2016	FY 2015	Change
Operating Revenues			
Federal	\$ 5,724,933	\$ 5,747,828	\$ (22,895)
State	1,914,530	2,119,977	(205,447)
In-kind	169,794	310,697	(140,903)
Other and Local	<u>1,820,389</u>	<u>2,134,350</u>	<u>(313,961)</u>
Total Operating Revenues	<u>9,629,646</u>	<u>10,312,852</u>	<u>8,598,361</u>
Operating Expenses			
Salaries & Fringe	4,939,656	4,578,746	360,910
Subgrantees & Contractual	3,374,001	3,609,815	(235,814)
Other	<u>1,722,646</u>	<u>1,771,422</u>	<u>(48,776)</u>
Total Operating Expenses	<u>10,036,303</u>	<u>9,959,983</u>	<u>76,320</u>
Operating Income	<u>(406,657)</u>	<u>352,869</u>	<u>(759,526)</u>
Non-Operating Income (Expense)			
Bank Interest Income	13,874	13,185	689
Interest Expense	<u>(23,816)</u>	<u>(24,701)</u>	<u>885</u>
Total Non-Operating Income	<u>(9,942)</u>	<u>(11,516)</u>	<u>1,574</u>
Change in Net Position	(416,599)	341,353	(757,952)
Net Position, Beginning of Year	<u>3,251,087</u>	<u>2,909,734</u>	<u>341,353</u>
Net Position, End of Year	<u>\$ 2,834,488</u>	<u>\$ 3,251,087</u>	<u>\$ (416,599)</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 did not invest in any capital assets for fiscal year 2016. Accumulated depreciation increased \$70,928 from fiscal year 2015 to fiscal year 2016, leaving a remaining balance of \$1,295,645 in net capital assets.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Land, Not Depreciated	\$ 70,000	\$ -	\$ -	\$ 70,000
Property & Equipment	2,435,694	-	-	2,435,694
Accumulated Depreciation	<u>(1,139,121)</u>	<u>(70,928)</u>	<u>-</u>	<u>(1,210,049)</u>
Net Capital Assets	<u>\$ 1,366,573</u>	<u>\$ (70,928)</u>	<u>-</u>	<u>\$ 1,295,645</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, 2016 totaled \$785,677 compared to \$466,835 in 2015.

	Balance			
	June 30, 2015	Additions	Payments	June 30, 2016
Notes Payable	<u>\$ 759,248</u>	<u>\$ -</u>	<u>\$ (73,350)</u>	<u>\$ 685,898</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considers many factors when setting the fiscal year 2017 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2017, several of our state contracts had not been finalized due to budget uncertainty. We are speculating that many of our federal and state revenues will decrease due to budget cuts. Our Medicaid CDO program should be able to maintain revenues if not grow in fiscal year 2017.

Workforce Innovation and Opportunity Act

WIOA formula funding for Adults increased from \$950,413.17 in FY-15 to \$1,094,829.59 in FY-16. This is a \$144,416.42 increase or 13.2%. WIA formula funding for Dislocated Workers increased from \$829,344.68 in FY-15 to \$830,296.92 in FY-16. This is a \$952.24 increase or .12%. WIOA received no allocation for Youth during FY-15 but did receive the FY-15 funding during FY-16 in the amount of \$1,021,506.31 which was a \$36,576.52 increase or 3.6% above FY-14. FY-16 funds were also received in the amount of \$1,249,714.63 which is an increase of \$228,208.32 or 18.3% over FY-15. Total youth funds received during FY-16 totaled \$2,271,320.94. Trade funding decreased from \$1,500,000 in FY-15 to \$1,000,000.00 in FY-16. This is a decrease of \$500,000.00 or 33%. The decrease was due to many participants from Fruit of the Loom in Jamestown completing training. 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. Planning numbers for FY-16 Adult, Dislocated Worker funding has been received. They are presently showing a decrease in funding but the planning number for youth was well below the actual allocation received.

Rapid Response Funds were received in the amount of \$340,000.00 for Trade Case Management.

The Cumberland WIOA received \$31,896.00 of Statewide Reserve Incentive funds during FY-16 for meeting the performance standards.

One staff member, Jeric DeVore, was added to the Workforce Department staff as a WIOA Career manager during FY-16.

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-16 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

While income has decreased over the last year, staff costs have also begun decrease, falling by 2.7% for FY-16. This is a direct result of the retirement of a long time employee, and the hiring of a replacement at a much lower salary. Given this, the Planning Department is in a far better position to support itself over the next fiscal year than it may have been in recent years.

Aging and Independent Living

Beginning of the FY-16, the Department for Aging and Independent Living received cuts in the following federal programs: (Older American Act Services) Title III-C1 Congregate Meals, Title III-C2 Home Delivered Meals, Title III-D Preventive Health, Title III-E Family Caregiver, and Ombudsman (-\$5,596). With the SHIP program showing an increase of (\$5,865).

State Funded Programs remained the same as in the previous year for: Kentucky Caregiver (Grandparent) and the Adult Day Care Program (using State PDI funds). The state-funded Homecare Program did receive an increase in it's allocation (+\$3,107). While State funded Ombudsman saw a (-\$67.00) decrease.

Chronic Disease Self - Management & Education Program, FAST & IOA programs stayed the same.

The Consumer Directed Options (CDO) Program saw a decrease in clients of (-140), from 520 (FY15) to 380 (FY16). This change was due to four different reasons: (1) Numerous deaths; the new MWMA electronic system has put to a halt the number of referrals; and more people are cautious of Medicaid.

The Health Benefit Exchange (In-Person Assistor Program) was done away with at a loss of (-\$54,407).

FY-16 Spring saw a cut to State Funds of 4 ½ % (\$130,096); however, Aging Department could only come up with \$68,993 in Administration funds with balance assisted by State.

Management's Discussion and Analysis

Community & Economic Development

In FY16, staff had administrative contracts for a number of CDBG, EDA, SRF and other projects. There are 15 open funded projects; 7 with administration fee contracts.

Staff has prepared applications for 30 other potential projects, however only 7 that allow administrative fees. There are 9 projects in the planning phase that could produce administrative contracts.

Staff has administrative contracts with balances for approximately \$154,986 with the potential for approximately \$209,000 more as new projects are funded and/or applied for.

There are 2 vacant positions in the department due to one person leaving the agency and one who retired. Current staffing and services will remain unchanged.

FY16 RLF Write-Offs

There were no loans written-off during FY16.

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, 2016

ASSETS

Current assets

Cash	\$ 3,704,440
Accounts receivable	
Federal, state and local grants	1,199,227
Consumer Directed Option	311,060
Prepaid expenses	<u>720</u>
Total current assets	<u>5,215,447</u>

Other assets

Certificates of deposit	1,050,000
Revolving Loan Fund (RLF) cash, restricted	549,536
RLF notes receivable, restricted	785,677
Property and equipment, net	<u>1,295,645</u>
Total other assets	<u>3,680,858</u>

Total assets	8,896,305
--------------	-----------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - Pension	<u>1,023,853</u>
-----------------------------	------------------

Total assets and deferred outflows of resources	<u><u>\$ 9,920,158</u></u>
---	----------------------------

LIABILITIES AND NET POSITION

Current liabilities

Accounts payable	\$ 541,511
Accrued expenses	112,242
Unearned revenue	23,353
Current portion of notes payable	<u>74,252</u>
Total current liabilities	<u>751,358</u>

Long-term liabilities

Net pension liability	5,417,490
Accrued annual leave	223,438
Notes payable	<u>611,646</u>

Total long-term liabilities	<u>6,252,574</u>
-----------------------------	------------------

Total liabilities	<u>7,003,932</u>
-------------------	------------------

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Pension	<u>81,738</u>
----------------------------	---------------

Net position

Net investment in capital assets	609,747
Restricted	1,335,213
Unrestricted	<u>889,528</u>

Total net position	<u>2,834,488</u>
--------------------	------------------

Total liabilities, deferred inflows of resources and net position	<u><u>\$ 9,920,158</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, 2016

OPERATING REVENUES

Federal	\$ 5,698,213
Commonwealth of Kentucky	1,941,250
In-kind	169,794
Other and local	<u>1,820,389</u>

Total revenues	<u>9,629,646</u>
----------------	------------------

OPERATING EXPENSES

Salaries	2,610,599
Fringe benefits	2,329,057
Travel	127,148
Subgrantees	3,374,001
Supplies	11,476
Postage	62
Dues, fees and subscriptions	9,933
Non-capital grant purchases and leases	164,173
Depreciation and amortization	70,928
In-kind	169,794
Other	<u>1,169,132</u>

Total expenses	<u>10,036,303</u>
----------------	-------------------

OPERATING INCOME	(406,657)
-------------------------	-----------

NON-OPERATING INCOME (EXPENSE)

Bank interest income	13,874
Interest expense	<u>(23,816)</u>

Change in net position	(416,599)
-------------------------------	-----------

Net position - beginning of year	<u>3,251,087</u>
---	------------------

NET POSITION - END OF YEAR	<u><u>\$ 2,834,488</u></u>
-----------------------------------	----------------------------

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor agencies	\$ 7,823,113
Local cash received	3,146,846
Payments to suppliers	(7,367,661)
Payments for employee services and benefits	<u>(3,665,376)</u>
Net cash provided by operating activities	<u>(63,078)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(73,350)
Interest expense	<u>(23,816)</u>
Net cash (used in) capital and related financing activities	<u>(97,166)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Bank interest income	<u>14,183</u>
Net cash provided by investing activities	<u>14,183</u>
Net increase in cash and cash equivalents	(146,061)
Cash and cash equivalents - beginning of the year	<u>4,400,037</u>

CASH AND CASH EQUIVALENTS - END OF THE YEAR **\$ 4,253,976**

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

Excess revenues over expenses	\$ (406,657)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation and amortization	70,928
Net pension adjustment	289,446
Change in assets and liabilities:	
Receivables, net	206,673
Prepaid expenses	145,442
Loans receivable	(318,842)
Accounts and other payables	(38,459)
Accrued expenses	(8,648)
Accrued leave	7,548
Unearned revenue	<u>(10,509)</u>
Net cash provided by operating activities	<u><u>\$ (63,078)</u></u>

Cash and cash equivalents consists of the following:

Unrestricted cash	\$ 3,704,440
Restricted cash	<u>549,536</u>
Total cash and cash equivalents	<u><u>\$ 4,253,976</u></u>

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

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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, 2016 is \$223,438.

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 approximately \$230,000 in rentals for the year ended June 30, 2016. 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 December 9, 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, 2016, have not been evaluated by the District.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016 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, 2016:

	District	Council
Cash balances	\$ 5,301,505	\$ 285,448
Money Market investment	(2,076,828)	(256,645)
FDIC Insurance	(500,000)	(28,803)
Collateralized by securities held in District's name	<u>(6,348,335)</u>	<u>-</u>
Total (over) collateralized	<u><u>\$ (3,623,658)</u></u>	<u><u>\$ -</u></u>

3. GRANTS RECEIVABLE

Federal, state and local grants receivable consists of the following at June 30, 2016:

WIOA	\$ 535,597
Aging	457,804
Leader In Me	21,305
Other programs	<u>184,521</u>
Total grant receivable	<u><u>\$ 1,199,227</u></u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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	\$ 1,009,300
Less: loan repayments	<u>(223,623)</u>
Total	785,677
Less: reserve for bad debts	<u>-</u>
Net loans receivable	<u>\$ 785,677</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, 2016. The following summarizes the changes in fixed assets during the year ended:

	6/30/2015 Balance	FY 2016 Additions	FY 2016 Disposals	6/30/2016 Balance
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Buildings and improvements	1,868,133	-	-	1,868,133
Equipment and vehicles	<u>567,561</u>	<u>-</u>	<u>-</u>	<u>567,561</u>
Total	2,505,694	-	-	2,505,694
Accumulated depreciation	<u>(1,139,121)</u>	<u>(70,928)</u>	<u>-</u>	<u>(1,210,049)</u>
Net	<u>\$ 1,366,573</u>	<u>\$ (70,928)</u>	<u>\$ -</u>	<u>\$ 1,295,645</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, 2016:

Grant Name	
Caregiver Admin	\$ 6,711
Caregiver Services	703
CDSME	274
Various programs	<u>15,665</u>
Total	<u>\$ 23,353</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016:

SKRECC, principal due \$3,000 per month bearing interest at a rate of 0%, due 5/2019.	\$ 102,000
Shelby Energy Corp, monthly payment of principal and interest of \$2,760, bearing interest at a rate of 1.8%, due 7/2019.	98,970
USDA Rural Development, annual principal and interest payments of \$28,060, bears interest at a rate of 4.38%, due 1/2049.	<u>484,928</u>
Total debt	685,898
Less: current portion	<u>(74,252)</u>
Total long-term debt	<u>\$ 611,646</u>

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

June 30,	Principal	Interest	Total
2017	\$ 74,252	\$ 22,934	\$ 97,186
2018	75,185	22,001	97,186
2019	70,144	21,042	91,186
2020	10,507	20,310	30,817
2021	8,095	19,966	28,061
2022-2026	46,112	94,191	140,303
2027-2031	57,135	83,168	140,303
2032-2036	70,792	69,510	140,302
2037-2041	87,715	52,588	140,303
2042-2046	108,682	31,620	140,302
2047-2050	<u>77,279</u>	<u>6,867</u>	<u>84,146</u>
Total	<u>\$ 685,898</u>	<u>\$ 444,197</u>	<u>\$ 1,130,095</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	6/30/2015	Additions	Payments	6/30/2016
Accrued annual leave	\$ 215,890	\$ 194,106	\$ (186,558)	\$ 223,438
Debt	<u>759,248</u>	<u>-</u>	<u>(73,350)</u>	<u>685,898</u>
Totals	<u>\$ 975,138</u>	<u>\$ 194,106</u>	<u>\$ (259,908)</u>	<u>\$ 909,336</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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 contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2016, participating employers contributed 17.06% 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 \$532,143 for the year ended June 30, 2016, or 100% of the required contribution. The contribution was allocated \$383,974 to the CERS pension fund and \$148,169 to the CERS insurance fund.

Pension Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2016, the District reported a liability of \$5,417,490 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2016, the District's proportion was .126 percent, which was equivalent to its proportion measured as of June 30, 2015.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

8. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2016, the District recognized pension expense of \$576,946. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 45,021	\$ -
Changes of assumptions	546,295	-
Net difference between projected and actual earnings on Plan investments	48,563	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	81,738
District contributions subsequent to the measurement date	<u>383,974</u>	<u>-</u>
Total	<u>\$ 1,023,853</u>	<u>\$ 81,738</u>

The \$383,974 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:

Year ending June 30,	
2017	\$ 185,910
2018	185,910
2019	86,431
2020	99,891

Actuarial Assumptions – The total pension liability in the June 30, 2015 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, 2015 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, 2016

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:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
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:

	Discount rate	District's proportionate share of net pension liability
1% decrease	6.75%	\$ 6,916,104
Current discount rate	7.75%	\$ 5,417,490
1% increase	8.75%	\$ 4,134,067

Payable to the Pension Plan – At June 30, 2016, the District reported a payable of \$43,307 for the outstanding amount of employer contributions to the pension plan required for the year ended June 30, 2016. 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.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 year ended June 30, 2016 the District received \$1,297,436 from the CDO program for administration and the District was owed \$311,060 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2016	2015	2014
District's proportion of the net pension liability	0.13%	0.13%	0.13%
District's proportionate share of the net pension liability (asset)	\$ 5,417,490	\$ 4,190,368	\$ 4,735,659
District's covered employee payroll	\$ 2,968,342	\$ 2,941,160	2,963,395
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	182.51%	142.47%	159.81%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	66.80%	61.22%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2015 valuation:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

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

	2016	2015	2014
Contractually required employer contribution	\$ 383,974	\$ 380,005	\$ 412,284
Contributions relative to contractually required employer contribution	<u>\$ 383,974</u>	<u>\$ 380,005</u>	<u>\$ 412,284</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,968,342	\$ 2,941,160	\$ 2,963,395
Employer contributions as a percentage of covered-employee payroll	12.94%	12.92%	13.91%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2015 valuation:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with

SUPPLEMENTARY INFORMATION

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON
for the year ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Federal funds	\$ 3,706,397	\$ 3,706,397	\$ 5,698,213	\$ 1,991,816
State funds	759,141	759,141	1,941,250	1,182,109
In-kind	-	-	169,794	169,794
Other and local	<u>1,621,500</u>	<u>1,621,500</u>	<u>1,651,992</u>	<u>30,492</u>
Total revenues	<u>6,087,038</u>	<u>6,087,038</u>	<u>9,461,249</u>	<u>3,374,211</u>
EXPENSES				
Salaries and wages	2,675,000	2,675,000	2,610,599	(64,401)
Employee benefits	2,050,000	2,050,000	2,329,057	279,057
Travel	145,000	145,000	127,148	(17,852)
Aging pass through to local agencies	403,000	403,000	3,374,001	2,971,001
Supplies	57,000	57,000	11,476	(45,524)
Postage	15,000	15,000	62	(14,938)
Dues, fees and subscriptions	40,000	40,000	9,933	(30,067)
Equipment, leases and depreciation	207,000	207,000	85,056	(121,944)
In-kind	-	-	169,794	169,794
Other costs	<u>495,038</u>	<u>495,038</u>	<u>1,163,560</u>	<u>668,522</u>
Total expenses	<u>6,087,038</u>	<u>6,087,038</u>	<u>9,880,686</u>	<u>3,793,648</u>
EXCESS REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (419,437)</u>	<u>\$ (419,437)</u>

COST ALLOCATION POLICY

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT COST ALLOCATION POLICY

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

Direct/Shared Costs

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

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

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

**STATEMENTS OF OPERATIONS
AND
COMBINING STATEMENTS**

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF SHARED COSTS
for the year ended June 30, 2016

Cost Category

Personnel compensation	\$ 323,035
Fringe benefits	202,430
Travel	26,145
Equipment, leases and depreciation	77,343
Building rentals	126,389
Utilities and telephone	45,246
Janitorial	16,248
Dues, fees and subscriptions	30,925
Printing and publication	4,349
Supplies	29,740
Insurance	50,724
Postage	1,034
Other	<u>23,116</u>
 Total shared costs allocated	 <u>\$ 956,724</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
for the year ended June 30, 2016

	JFA Schedule	Total Area Agency on Aging	WIA	CDO	Other Grants	Local Operations	G & A Expense	Total
Revenues								
Federal	\$ 174,222	\$ 1,092,074	\$ 4,084,030	\$ -	\$ 347,887	\$ -	\$ -	\$ 5,698,213
State	136,126	1,478,225	-	-	326,899	-	-	1,941,250
Local	-	-	-	-	-	-	-	-
Other	-	-	-	1,297,436	239,917	33,146	-	1,570,499
Interest on advance	-	-	-	-	-	-	-	-
In-kind	-	169,794	-	-	-	-	-	169,794
Program income	-	81,493	-	-	-	-	-	81,493
Local funds applied	230,177	293,934	-	-	159,827	(683,938)	-	-
Total revenues	540,525	3,115,520	4,084,030	1,297,436	1,074,530	(650,792)	-	9,461,249
Expenses								
Salaries	253,253	813,918	681,261	380,473	158,659	-	323,035	2,610,599
Fringe benefits	179,421	575,794	585,472	362,141	133,188	290,611	202,430	2,329,057
Travel	4,892	19,998	40,429	31,721	3,963	-	26,145	127,148
Subgrantees/Contractual	-	613,504	2,314,283	-	446,214	-	-	3,374,001
In-kind	-	169,794	-	-	-	-	-	169,794
Other costs	3,772	598,371	169,907	38,130	43,202	11,591	405,114	1,270,087
Total direct cost	441,338	2,791,379	3,791,352	812,465	785,226	302,202	956,724	9,880,686
Shared costs	99,187	324,141	292,678	173,669	67,049	-	(956,724)	-
Total expenses	540,525	3,115,520	4,084,030	986,134	852,275	302,202	-	9,880,686
Revenues over expenses	\$ -	\$ -	\$ -	\$ 311,302	\$ 222,255	\$ (952,994)	\$ -	\$ (419,437)

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAM
for the year ended June 30, 2016

		Budget	Direct Expenses	Indirect Expenses	Total	Over (Under) Budget	Questioned Costs (Ref.)
Revenues							
Federal Funds		\$ 174,222			\$ 174,222	\$ -	
State Funds		136,126			136,126	-	
Local Funds		<u>-</u>			<u>230,177</u>	<u>230,177</u>	
		<u>310,348</u>			<u>540,525</u>	<u>230,177</u>	
Expenses							
Community & Economic Planning & Development	120	42,194	42,254	9,753	52,007	9,813	
Community Development Block Grant	125	10,000	21,532	4,371	25,903	15,903	
ARC Planning	130	212,444	321,748	72,775	394,523	182,079	
Management Assistance	140	29,008	34,113	7,421	41,534	12,526	
Program Administration	150	<u>16,702</u>	<u>21,691</u>	<u>4,867</u>	<u>26,558</u>	<u>9,856</u>	
		<u>310,348</u>	<u>441,338</u>	<u>99,187</u>	<u>540,525</u>	<u>230,177</u>	<u>-</u>
Revenues over expenses							
		<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>	

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING
for the year ended June 30, 2016

	Agency Adminis- tration	Social Services III-B	Ombuds- man III-B	Meals Admin III-C1	Cong. Meals III-C1	Meals Admin III-C2	H.D. Meals III-C2	NSIP	Preventative Health III-D	Caregiver Admin III-E	Care- giver III-E	Ombuds- man VII	Elder Abuse VII	Total Homecare	Total Adult Day	Total Contract
Revenues																
Federal grant	\$ 25,876	\$ 241,685	\$ 16,060	\$ 32,727	\$ 267,668	\$ 16,752	\$ 190,952	\$ 84,470	\$ 17,880	\$ 13,150	\$ 80,160	\$ 7,689	\$ 4,578	\$ -	\$ -	\$ 999,647
State grant	18,750	68,949	7,822	8,160	29,700	4,210	51,500	-	12,927	-	26,720	1,289	775	917,068	153,309	1,301,179
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	31,293	-	45,659	-	30,804	-	-	3,567	38,366	1,133	715	18,257	-	169,794
Program income	-	5,469	-	-	61,928	-	10,410	-	-	-	-	-	-	3,686	-	81,493
Local funds applied	8,438	95,398	11,029	9,068	1,071	9,008	612	903	-	-	8,386	2,279	1,388	57,767	5,865	211,212
Total revenues	53,064	411,501	66,204	49,955	406,026	29,970	284,278	85,373	30,807	16,717	153,632	12,390	7,456	996,778	159,174	2,763,325
Expenses																
Salaries	24,296	114,457	11,336	22,356	102,021	11,882	103,860	-	-	7,393	27,631	3,877	2,345	240,313	24,065	695,832
Fringe benefits	16,320	98,248	10,052	18,299	71,497	12,548	52,420	-	-	3,377	15,415	4,328	2,618	163,354	18,289	486,765
Staff travel	2,295	623	1	-	-	-	-	-	-	-	-	755	457	7,425	892	12,448
Subgrantees/Contractual	-	65,275	-	-	-	-	-	-	30,807	-	-	-	-	412,753	104,269	613,104
In-kind	-	-	31,293	-	45,659	-	30,804	-	-	3,567	38,366	1,133	715	18,257	-	169,794
Other costs	794	83,356	8,540	-	145,405	-	59,762	85,373	-	-	62,646	228	137	61,273	1,972	509,486
Total direct cost	43,705	361,959	61,222	40,655	364,582	24,430	246,846	85,373	30,807	14,337	144,058	10,321	6,272	903,375	149,487	2,487,429
Shared costs	9,359	49,542	4,982	9,300	41,444	5,540	37,432	-	-	2,380	9,574	2,069	1,184	93,403	9,687	275,896
Total expenses	53,064	411,501	66,204	49,955	406,026	29,970	284,278	85,373	30,807	16,717	153,632	12,390	7,456	996,778	159,174	2,763,325
Revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
AREA AGENCY ON AGING (CONTINUED)
for the year ended June 30, 2016

	State LTC Ombuds- man	KY Caregiver Admin	KY Caregiver Services	SHIP Admin	SHIP Services	Medicaid ADRC	Carryover CDSME	CDSME	FAST	IAO	MIPPA SHIP	MIPPA AAA	MIPPA ADRC	Total Contract
Revenues														
Federal grant	\$ -	\$ -	\$ -	\$ 2,484	\$ 43,067	\$ 7,740	\$ 610	\$ 2,029	\$ 1,261	\$ 1,125	\$ 14,211	\$ 14,726	\$ 5,174	\$ 92,427
State grant	41,220	9,451	118,635	-	-	7,740	-	-	-	-	-	-	-	177,046
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	<u>5,127</u>	<u>1,971</u>	<u>-</u>	<u>94</u>	<u>729</u>	<u>72,557</u>	<u>-</u>	<u>386</u>	<u>-</u>	<u>1,418</u>	<u>369</u>	<u>58</u>	<u>13</u>	<u>82,722</u>
Total revenues	<u>46,347</u>	<u>11,422</u>	<u>118,635</u>	<u>2,578</u>	<u>43,796</u>	<u>88,037</u>	<u>610</u>	<u>2,415</u>	<u>1,261</u>	<u>2,543</u>	<u>14,580</u>	<u>14,784</u>	<u>5,187</u>	<u>352,195</u>
Expenses														
Salaries	16,281	5,818	17,874	1,441	18,528	39,193	309	658	646	866	5,873	8,372	2,227	118,086
Fringe benefits	18,018	3,481	8,468	651	14,004	31,818	139	353	366	434	5,641	3,678	1,978	89,029
Staff travel	3,061	-	-	-	3,157	673	30	113	-	245	271	-	-	7,550
Subgrantees/Contractual	-	-	-	-	-	-	-	-	-	400	-	-	-	400
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other costs	<u>965</u>	<u>8</u>	<u>86,263</u>	<u>-</u>	<u>482</u>	<u>69</u>	<u>27</u>	<u>1,051</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,885</u>
Total direct cost	<u>38,325</u>	<u>9,307</u>	<u>112,605</u>	<u>2,092</u>	<u>36,171</u>	<u>71,753</u>	<u>505</u>	<u>2,175</u>	<u>1,032</u>	<u>1,945</u>	<u>11,785</u>	<u>12,050</u>	<u>4,205</u>	<u>303,950</u>
Shared costs	<u>8,022</u>	<u>2,115</u>	<u>6,030</u>	<u>486</u>	<u>7,625</u>	<u>16,284</u>	<u>105</u>	<u>240</u>	<u>229</u>	<u>598</u>	<u>2,795</u>	<u>2,734</u>	<u>982</u>	<u>48,245</u>
Total expenses	<u>46,347</u>	<u>11,422</u>	<u>118,635</u>	<u>2,578</u>	<u>43,796</u>	<u>88,037</u>	<u>610</u>	<u>2,415</u>	<u>1,261</u>	<u>2,543</u>	<u>14,580</u>	<u>14,784</u>	<u>5,187</u>	<u>352,195</u>
Revenue over expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
HEMOCARE / ADULT DAY CARE
for the year ended June 30, 2016

	Homecare			Total Homecare	Adult Day Care		Total ADC
	Admin	Case Management	H.D.Meals		Admin	Case Management	
Revenues							
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	65,790	698,019	153,259	917,068	10,901	142,408	153,309
Local	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-
In-kind	-	-	18,257	18,257	-	-	-
Program income	-	-	3,686	3,686	-	-	-
Local funds applied	16,556	7,499	33,712	57,767	1,673	4,192	5,865
Total revenues	82,346	705,518	208,914	996,778	12,574	146,600	159,174
Expenses							
Salaries	35,160	128,081	77,072	240,313	5,525	18,540	24,065
Fringe benefits	30,202	93,699	39,453	163,354	4,727	13,562	18,289
Staff travel	1,204	6,221	-	7,425	-	892	892
Subgrantees/Contractual	-	412,753	-	412,753	-	104,269	104,269
In-kind	-	-	18,257	18,257	-	-	-
Other costs	629	13,855	46,789	61,273	-	1,972	1,972
Total direct cost	67,195	654,609	181,571	903,375	10,252	139,235	149,487
Shared costs	15,151	50,909	27,343	93,403	2,322	7,365	9,687
Total expenses	82,346	705,518	208,914	996,778	12,574	146,600	159,174
Revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
WORKFORCE INVESTMENT ACT
for the year ended June 30, 2016

	WIOA Administration	WIOA Adult	WIOA Youth	WIOA DW	WIOA RR	WIOA Trade	WIOA OS	WIOA Transition	WIOA RSA	WIOA Program	WIOA Total
Revenues											
Federal grant	\$ 251,279	\$ 619,626	\$ 81,910	\$ 244,272	\$ 234	\$ 226,910	\$ 343,989	\$ 491	\$ 1,036	\$ 2,314,283	\$ 4,084,030
State grant	-	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>251,279</u>	<u>619,626</u>	<u>81,910</u>	<u>244,272</u>	<u>234</u>	<u>226,910</u>	<u>343,989</u>	<u>491</u>	<u>1,036</u>	<u>2,314,283</u>	<u>4,084,030</u>
Expenses											
Salaries	90,133	233,093	36,208	72,235	119	95,499	153,367	113	494	-	681,261
Fringe benefits	79,087	203,345	25,380	68,419	56	86,242	122,489	98	356	-	585,472
Travel	12,019	12,728	1,114	5,767	20	3,400	5,381	-	-	-	40,429
Subgrantees/Contractual	-	-	-	-	-	-	-	-	-	2,314,283	2,314,283
In-kind	-	-	-	-	-	-	-	-	-	-	-
Other costs	<u>30,885</u>	<u>68,740</u>	<u>4,550</u>	<u>64,907</u>	<u>-</u>	<u>97</u>	<u>497</u>	<u>231</u>	<u>-</u>	<u>-</u>	<u>169,907</u>
Total direct cost	212,124	517,906	67,252	211,328	195	185,238	281,734	442	850	2,314,283	3,791,352
Shared costs	<u>39,155</u>	<u>101,720</u>	<u>14,658</u>	<u>32,944</u>	<u>39</u>	<u>41,672</u>	<u>62,255</u>	<u>49</u>	<u>186</u>	<u>-</u>	<u>292,678</u>
Total expenditures	<u>251,279</u>	<u>619,626</u>	<u>81,910</u>	<u>244,272</u>	<u>234</u>	<u>226,910</u>	<u>343,989</u>	<u>491</u>	<u>1,036</u>	<u>2,314,283</u>	<u>4,084,030</u>
Revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
CONSUMER DIRECTED OPTION (CDO)
for the year ended June 30, 2016

	HCB Support Brok.	HCB Fin. Mgmt.	Total CDO
Revenues			
Federal grant	\$ -	\$ -	\$ -
State grant	-	-	-
Local	-	-	-
Other	949,936	347,500	1,297,436
Interest on advance	-	-	-
In-kind	-	-	-
Program income	-	-	-
Local funds applied	-	-	-
	<u>949,936</u>	<u>347,500</u>	<u>1,297,436</u>
Total revenues	<u>949,936</u>	<u>347,500</u>	<u>1,297,436</u>
Expenses			
Salaries	322,802	57,671	380,473
Fringe benefits	315,661	46,480	362,141
Staff travel	29,730	1,991	31,721
Subgrantees/Contractual	-	-	-
In-kind	-	-	-
Other costs	<u>17,915</u>	<u>20,215</u>	<u>38,130</u>
Total direct cost	686,108	126,357	812,465
Shared costs	<u>149,535</u>	<u>24,134</u>	<u>173,669</u>
Total expenses	<u>835,643</u>	<u>150,491</u>	<u>986,134</u>
Revenues over expenses	<u>\$ 114,293</u>	<u>\$ 197,009</u>	<u>\$ 311,302</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND PERFORMANCE CONTRACTS
for the year ended June 30, 2016

	Pre-Disaster Mitigation	Transportation Planning	Transportation Road Updates	RLF	KIA	ARC Leader In Me	SOAR	CMRS Projects	Miscellaneous Contracts	Total
Revenues										
Federal	\$ 9,033	\$ -	\$ 25,364	\$ -	\$ -	\$ 313,490	\$ -	\$ -	\$ -	\$ 347,887
State	-	78,065	-	-	98,059	-	-	150,775	-	326,899
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	14,572	-	48,395	-	-	176,950	239,917
Interest on advance	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-
Applied to programs	20,205	82,848	-	-	55,333	-	1,441	-	-	159,827
Total revenues	29,238	160,913	25,364	14,572	153,392	361,885	1,441	150,775	176,950	1,074,530
Expenses										
Salaries	16,914	63,732	11,286	3,304	61,793	-	590	1,040	-	158,659
Employee benefits	6,797	64,569	4,853	1,873	54,585	-	216	295	-	133,188
Travel	-	522	-	-	3,136	-	305	-	-	3,963
Subgrantees/Contractual	-	-	-	-	-	313,490	-	132,724	-	446,214
In-kind	-	-	-	-	-	-	-	-	-	-
Other costs	65	2,903	-	1,292	6,806	-	60	-	32,076	43,202
Total direct cost	23,776	131,726	16,139	6,469	126,320	313,490	1,171	134,059	32,076	785,226
Shared costs	5,462	29,187	3,607	1,113	27,072	-	270	338	-	67,049
Total expenses	29,238	160,913	19,746	7,582	153,392	313,490	1,441	134,397	32,076	852,275
Revenues over expenses	\$ -	\$ -	\$ 5,618	\$ 6,990	\$ -	\$ 48,395	\$ -	\$ 16,378	\$ 144,874	\$ 222,255

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SUPPLEMENTAL STATEMENT OF OPERATIONS
WORKFORCE INVESTMENT ACT
for the year ended June 30, 2016**

Grant number	WIOA 205BE13	WIOA 205BE14	WIOA 270AD15	WIOA 270AD16	WIOA 271DW14	WIOA 271DW15	WIOA 271DW16	WIOA 272DW15	WIOA 272DW16	WIOA 273AD15	WIOA 273AD16	WIOA 274YT15	WIOA 274YT16	WIOA Total
Revenues														
Federal grant	\$ 454,861	\$ 820,543	\$ 307	\$ 90,701	\$ 97,560	\$ 472,182	\$ 226,439	\$ 2,021	\$ 246,837	\$ 267,381	\$ 790,673	\$ 181,625	\$ 432,900	\$ 4,084,030
State grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>454,861</u>	<u>820,543</u>	<u>307</u>	<u>90,701</u>	<u>97,560</u>	<u>472,182</u>	<u>226,439</u>	<u>2,021</u>	<u>246,837</u>	<u>267,381</u>	<u>790,673</u>	<u>181,625</u>	<u>432,900</u>	<u>4,084,030</u>
Expenses														
Administration	-	-	-	9,070	-	70,966	-	-	8,160	65,448	-	78,726	7,675	240,045
Adult Case Management	-	-	-	81,631	-	-	-	-	-	117,376	420,620	-	-	619,627
Adult Training & Services	-	-	-	-	-	298,508	-	-	-	80,839	370,053	-	-	749,400
Youth Case Management	-	-	-	-	-	-	-	-	-	-	-	89,889	336,009	425,898
Youth Training & Services	-	-	-	-	-	-	-	-	-	-	-	3,565	89,216	92,781
DW Case Management	-	-	-	-	-	47,985	87,196	-	109,092	-	-	-	-	244,273
DW Training & Services	-	-	-	-	-	54,723	139,243	-	-	-	-	-	-	193,966
Rapid Response	-	-	-	-	-	-	-	-	236	-	-	-	-	236
Rapid Response Case Mgmt.	-	-	-	-	97,560	-	-	-	129,349	-	-	-	-	226,909
Transition WIOA	-	-	307	-	-	-	-	2,021	-	3,718	-	9,445	-	15,491
Trade	<u>454,861</u>	<u>820,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,275,404</u>
Total direct and shared costs	<u>454,861</u>	<u>820,543</u>	<u>307</u>	<u>90,701</u>	<u>97,560</u>	<u>472,182</u>	<u>226,439</u>	<u>2,021</u>	<u>246,837</u>	<u>267,381</u>	<u>790,673</u>	<u>181,625</u>	<u>432,900</u>	<u>4,084,030</u>
Revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	LCADD	Development Council	Combined
ASSETS			
Current assets			
Cash	\$ 3,422,220	\$ 282,220	\$ 3,704,440
Accounts receivable			
Federal, state and local grants	1,199,227	-	1,199,227
Consumer Directed Option	311,060	-	311,060
Prepaid expenses	<u>720</u>	<u>-</u>	<u>720</u>
Total current assets	<u>4,933,227</u>	<u>282,220</u>	<u>5,215,447</u>
Other assets			
Certificates of deposit	1,050,000	-	1,050,000
RLF cash, restricted	549,536	-	549,536
RLF Notes receivable	785,677	-	785,677
Property and equipment, net	<u>-</u>	<u>1,295,645</u>	<u>1,295,645</u>
Total other assets	<u>2,385,213</u>	<u>1,295,645</u>	<u>3,680,858</u>
Total assets	7,318,440	1,577,865	8,896,305
DEFERRED OUTFLOWS OF RESOURCES	<u>1,023,853</u>	<u>-</u>	<u>1,023,853</u>
Total assets and deferred outflows or resources	<u>\$ 8,342,293</u>	<u>\$ 1,577,865</u>	<u>\$ 9,920,158</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 535,901	\$ 5,610	\$ 541,511
Accrued expenses	112,242	-	112,242
Unearned grant revenue	23,353	-	23,353
Current portion of notes payable	<u>-</u>	<u>74,252</u>	<u>74,252</u>
Total current liabilities	<u>671,496</u>	<u>79,862</u>	<u>751,358</u>
Long-term liabilities			
Net Pension Liability	5,417,490	-	5,417,490
Accrued annual leave	223,438	-	223,438
Notes payable	<u>-</u>	<u>611,646</u>	<u>611,646</u>
Total long-term liabilities	<u>5,640,928</u>	<u>611,646</u>	<u>6,252,574</u>
Total liabilities	<u>6,312,424</u>	<u>691,508</u>	<u>7,003,932</u>
DEFERRED INFLOWS	<u>81,738</u>	<u>-</u>	<u>81,738</u>
Net investment in capital assets	-	609,747	609,747
Restricted	1,335,213	-	1,335,213
Unrestricted	<u>612,918</u>	<u>276,610</u>	<u>889,528</u>
Total net position	<u>1,948,131</u>	<u>886,357</u>	<u>2,834,488</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,342,293</u>	<u>\$ 1,577,865</u>	<u>\$ 9,920,158</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2016

	LCADD	Development Council	Combined
OPERATING REVENUES			
Federal	\$ 5,698,213	\$ -	\$ 5,698,213
Commonwealth of Kentucky	1,941,250	-	1,941,250
In-kind	169,794	-	169,794
Other and local	<u>1,638,800</u>	<u>181,589</u>	<u>1,820,389</u>
Total revenues	<u>9,448,057</u>	<u>181,589</u>	<u>9,629,646</u>
OPERATING EXPENSES			
Salaries	2,610,599	-	2,610,599
Fringe benefits	2,329,057	-	2,329,057
Travel	127,148	-	127,148
Subgrantees/Contractual	3,374,001	-	3,374,001
Supplies	11,476	-	11,476
Postage	62	-	62
Dues, fees and subscriptions	9,933	-	9,933
Non-capital grant purchases and leases	85,056	79,117	164,173
Depreciation and amortization	-	70,928	70,928
In-kind	169,794	-	169,794
Other	<u>1,163,560</u>	<u>5,572</u>	<u>1,169,132</u>
Total expenses	<u>9,880,686</u>	<u>155,617</u>	<u>10,036,303</u>
OPERATING INCOME	(432,629)	25,972	(406,657)
NON-OPERATING INCOME (EXPENSE)			
Bank interest income	13,192	682	13,874
Interest expense	<u>-</u>	<u>(23,816)</u>	<u>(23,816)</u>
Change in net position	(419,437)	2,838	(416,599)
Net position - beginning of year	<u>2,367,568</u>	<u>883,519</u>	<u>3,251,087</u>
NET POSITION - END OF YEAR	<u>\$ 1,948,131</u>	<u>\$ 886,357</u>	<u>\$ 2,834,488</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COMBINING STATEMENT OF CASH FLOWS
for the year ended June 30, 2016

	LCADD	Development Council	Combined
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from grantor agencies	\$ 7,823,113	\$ -	\$ 7,823,113
Local cash received	2,965,257	181,589	3,146,846
Payments to suppliers	(7,363,415)	(4,246)	(7,367,661)
Payments for employee services and benefits	<u>(3,665,376)</u>	<u>-</u>	<u>(3,665,376)</u>
Net cash provided by operating activities	<u>(240,421)</u>	<u>177,343</u>	<u>(63,078)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	(73,350)	(73,350)
Interest expense	<u>-</u>	<u>(23,816)</u>	<u>(23,816)</u>
Net cash (used in) capital and related financing activities	<u>-</u>	<u>(97,166)</u>	<u>(97,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest income	<u>13,501</u>	<u>682</u>	<u>14,183</u>
Net cash provided by investing activities	<u>13,501</u>	<u>682</u>	<u>14,183</u>
Net increase (decrease) in cash and cash equivalents	(226,920)	80,859	(146,061)
Cash and cash equivalents - beginning of the year	<u>4,198,676</u>	<u>201,361</u>	<u>4,400,037</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 3,971,756</u></u>	<u><u>\$ 282,220</u></u>	<u><u>\$ 4,253,976</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (432,629)	\$ 25,972	\$ (406,657)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	70,928	70,928
Net pension adjustment	289,446	-	289,446
Change in assets and liabilities:			
Receivables, net	206,673	-	206,673
Prepaid expenses	70,609	74,833	145,442
Loans receivable	(318,842)	-	(318,842)
Accounts and other payables	(44,069)	5,610	(38,459)
Accrued expenses	(8,648)	-	(8,648)
Accrued leave	7,548	-	7,548
Unearned revenue	<u>(10,509)</u>	<u>-</u>	<u>(10,509)</u>
Net cash provided by operating activities	<u><u>\$ (240,421)</u></u>	<u><u>\$ 177,343</u></u>	<u><u>\$ (63,078)</u></u>
Cash and cash equivalents consists of the following:			
Unrestricted cash	\$ 3,422,220	\$ 282,220	\$ 3,704,440
Restricted cash	<u>549,536</u>	<u>-</u>	<u>549,536</u>
Total cash and cash equivalents	<u><u>\$ 3,971,756</u></u>	<u><u>\$ 282,220</u></u>	<u><u>\$ 4,253,976</u></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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 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 font.

RFH, PLLC
December 9, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Lake Cumberland Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RFH

RFH, PLLC
December 9, 2016

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2016**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Commerce					
Economic Development Administration					
Passed through State (DLG) (Note 1)					
JFA-Community and Economic Assistance	11.302	FY 2016 JFA MOA	07/01/15-06/30/16	\$ -	\$ 30,240
JFA-Management Assistance	11.302	FY 2016 JFA MOA	07/01/15-06/30/16	-	20,790
JFA-Program Assistance	11.302	FY 2016 JFA MOA	07/01/15-06/30/16	-	11,970
Total				-	63,000
Revolving Loan Fund (Note 3)	11.300	N/A	Perpetual	-	912,344
Total U.S. Department of Commerce				-	975,344
U.S. Department of Housing & Urban Development (HUD)					
Passed through State (DLG) (Note 1)					
JFA- CDBG	14.218	FY 2016 JFA MOA	07/01/15-06/30/16	-	5,000
U.S. Department of Labor (DOL)					
Passed through State (ECDWI) (Note 4)					
WIA Adult Programs	17.258	PON2 531 1500002585 1	07/01/15-06/30/16	-	1,149,062
WIA Youth Activities	17.259	PON2 531 1500002585 1	07/01/15-06/30/16	-	614,525
WIA Dislocated Worker	17.278	PON2 531 1500002585 1	07/01/15-06/30/16	-	1,045,039
Total WIA Cluster				-	2,808,626
WIA Trade Training	17.245	PON2 531 1400002819 1	07/01/14-06/30/16	-	1,275,404
Total DOL				-	4,084,030
Appalachian Regional Commission					
Direct Award					
ARC Planning	23.009	KY-702-F-C46-16	01/01/16-12/31/16	-	53,111
ARC Planning	23.009	KY-702-F-C46-15	01/01/15-12/31/15	-	53,111
ARC Leader in Me	23.001	KY-17490-13	07/01/15-06/30/16	-	313,490
Total ARC				-	419,712
U.S. Federal Highway Administration (FHWA)					
Passed through the State (KTC). (Note 5)					
Road updates, various counties	20.205	MOA	07/01/15-06/30/16	-	25,364
Total FHWA				-	25,364
Subtotal				\$ -	\$ 5,509,450

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Indirect Cost Rates:

The Lake Cumberland Area Development District did not elect to use the 10 percent *de minimis* cost rate as allowed under the *Uniform Guidance*.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
for the year ended, June 30, 2016

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
Subtotal federal awards from previous page				\$ -	\$ 5,509,450
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS/DAIL) (Note 2)					
Title III B Support Services	93.044	PON2 725 1400001066 7	07/01/14-06/30/16	-	266,454
Title III C1 Congregate Meals	93.045	PON2 725 1400001066 7	07/01/14-06/30/16	-	310,545
Title III C2 Home Delivered Meals	93.045	PON2 725 1400001066 7	07/01/14-06/30/16	-	214,721
NSIP	93.053	PON2 725 1600000226 1	10/01/15-09/30/16	-	84,470
Total aging cluster				-	876,190
Title VII Elder Abuse	93.041	PON2 725 1400001073 5	07/01/14-06/30/16	-	4,578
Title VII Ombudsman	93.042	PON2 725 1400001073 5	07/01/14-06/30/16	-	7,689
Title III D Preventative Health	93.043	PON2 725 1400001066 7	07/01/14-06/30/16	-	17,880
ADRC-Medicaid	93.778	PON2 725 1400001160 7	07/01/14-06/30/16	-	7,740
Title III E Caregiver	93.052	PON2 725 1400001066 7	07/01/14-06/30/16	-	93,310
FAST	93.069	PON2 725 1400001163 3	07/01/14-06/30/16	-	1,261
MIPPA SHIP	93.071	PON2 725 1600000228 2	09/30/15-09/29/16	-	14,211
MIPPA AAA	93.071	PON2 725 1400001168 2	07/01/14-09/29/15	-	776
MIPPA AAA	93.071	PON2 725 1600000228 2	09/30/15-09/29/16	-	13,950
MIPPA ADRC	93.071	PON2 725 1600000228 2	09/30/15-09/29/16	-	5,174
CDSME	93.725	PON2 725 1600001141 1	02/15/16-08/29/16	-	2,029
CDSME	93.725	PON2 725 1400001162 2	07/01/14-08/31/15	-	610
CMS SHIP	93.779	PON2 725 1400001161 3	07/01/14-03/31/16	-	32,237
ACL SHIP	93.324	PON2 725 1600001180 1	04/01/16-03/31/17	-	13,314
IAO	93.945	PON2 725 1400001164 4	07/01/14-06/30/16	-	1,125
Total HHS				-	1,092,074
U.S. Department of Homeland Security (DHS)					
Passed through the State (Note 6)					
(KDEM) Pre-Disaster Mitigation	97.047	PON2 95 1500000910 1	1/30/15-9/30/16	-	9,033
Total federal awards				-	6,610,557
Less: Revolving loan programs that do not reflect current year activity				-	(912,344)
Total federal awards reported in the financial statements				\$ -	\$ 5,698,213

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 \$1,335,213 - 68% of which is Federal (\$907,945); and administrative expenses of \$6,469 - 68% of which is Federal (\$4,399). Grand total Federal share equals \$912,344.
- 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Indirect Cost Rates:

The Lake Cumberland Area Development District did not elect to use the 10 percent *de minimis* cost rate as allowed under the *Uniform Guidance*.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2016**

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 XNone reported

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 XNone reported

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

Unmodified for all major programs.

Any audit findings disclosed that are required to be

Reported in accordance with 2 CFR 200.516(a)? 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:

\$ 750,000

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