

LAKE CUMBERLAND AREA  
DEVELOPMENT DISTRICT, INC.  
Russell Springs, Kentucky

Report on Audit of  
Financial Statements  
For the Year Ended June 30, 2017



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## 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 Lake Cumberland Area Development District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lake Cumberland Area Development District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Cumberland Area Development District, as of June 30, 2017, 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 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of shared costs and 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* 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 schedules of shared costs and statements of operations and 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 schedules of shared costs and statements of operations and 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 November 30, 2017, on our consideration of Lake Cumberland Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Cumberland Area Development District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky

November 30, 2017

## MANAGEMENTS 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 2017. 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), debts (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 2017:

	FY 2017	FY 2016	Change
Current Assets	\$ 4,606,654	\$ 5,215,447	\$ (608,793)
Capital and Other Assets	3,676,313	3,680,858	(4,545)
Deferred Outflows of Resources	<u>1,522,741</u>	<u>1,023,853</u>	<u>498,888</u>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b><u>\$ 9,805,708</u></b>	<b><u>\$ 9,920,158</u></b>	<b><u>\$ (114,450)</u></b>
Current Liabilities	\$ 617,604	\$ 751,358	\$ (133,754)
Long Term Liabilities	6,886,958	6,252,574	634,384
Deferred Inflows of Resources	<u>279,137</u>	<u>81,738</u>	<u>197,399</u>
Total Liabilities & Deferred Inflows of Resources	<u>7,783,699</u>	<u>7,085,670</u>	<u>698,029</u>
Net Position			
Net Investment in Capital assets	\$ 679,442	\$ 609,747	\$ 69,695
Restricted	1,335,222	1,335,213	9
Unrestricted	<u>7,345</u>	<u>889,528</u>	<u>(882,183)</u>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</b>	<b><u>\$ 9,805,708</u></b>	<b><u>\$ 9,920,158</u></b>	<b><u>\$ (114,450)</u></b>

## MANAGEMENTS DISCUSSION AND ANALYSIS

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

	FY 2017	FY 2016	Change
<b>Operating Revenues</b>			
Federal	\$ 5,535,947	\$ 5,724,933	\$ (188,986)
State	1,713,135	1,914,530	(201,395)
In-Kind	84,183	169,794	(85,611)
Other and Local	<u>1,354,214</u>	<u>1,820,389</u>	<u>(466,175)</u>
<b>Total Operating Revenues</b>	<u>8,687,479</u>	<u>9,629,646</u>	<u>(942,167)</u>
<b>Operating Expenses</b>			
Salaries and Fringe	4,918,228	4,939,656	(21,428)
Subgrantees and Contractual	2,934,741	3,374,001	(439,260)
Other	<u>1,638,375</u>	<u>1,722,646</u>	<u>(84,271)</u>
<b>Total Operating Expenses</b>	<u>9,491,344</u>	<u>10,036,303</u>	<u>(544,959)</u>
<b>Operating Income</b>	<u>(803,865)</u>	<u>(406,657)</u>	<u>(397,208)</u>
<b>Non-Operating Income (Expense)</b>			
Bank Interest Income	14,293	13,874	419
Interest Expense	<u>(22,908)</u>	<u>(23,816)</u>	<u>908</u>
<b>Total Non-Operating Income</b>	<u>(8,615)</u>	<u>(9,942)</u>	<u>1,327</u>
<b>Change in Net Position</b>	(812,480)	(416,599)	(395,881)
<b>Net Position, Beginning of Year</b>	<u>2,834,488</u>	<u>3,251,087</u>	<u>(416,599)</u>
<b>Net Position, End of Year</b>	<u>\$ 2,022,008</u>	<u>\$ 2,834,488</u>	<u>\$ (812,480)</u>

The significant change 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.

### **NOTES RECEIVABLE, RLF**

The District, in order to stimulate economic development and assist businesses in obtaining and acquiring low interest rate loans, has chosen to participate Revolving Loan Program. Through a federal grant and local funding the District created a loan program for the before mentioned reasons. The loans are repaid from payments collected from borrowers. Loan balances at June 30, 2017 totaled \$778,629 compared to \$785,677 in 2016.

MANAGEMENTS DISCUSSION AND ANALYSIS

**CAPITAL ASSETS**

The District invested \$81,090 in capital assets for fiscal year 2017. Accumulated depreciation increased \$85,644 from fiscal year 2016 to fiscal year 2017, leaving a remaining balance of \$1,291,091 in net capital assets.

<b>Capital Assets</b>	<b>Balance</b>		<b>Decreases</b>	<b>Balance</b>	
	<b>June 30, 2016</b>	<b>Increases</b>		<b>June 30, 2017</b>	
Land	\$ 70,000	\$ -	\$ -	\$ 70,000	
Buildings	1,868,132	-	-	1,868,132	
Equipment and Vehicles	<u>567,561</u>	<u>81,090</u>	-	<u>648,651</u>	
Total	2,505,693	-	-	2,586,783	
Accumulated depreciation	<u>(1,210,048)</u>	<u>(85,644)</u>	-	<u>(1,295,692)</u>	

**LONG-TERM DEBT**

Notes payable consists of various loans which were obtained by LCDC for various buildings upgrades and equipment additions over the last several years. These loans were obtained from, SKRECC, Shelby Energy Corporation and U S Rural Development. There were no new loans for the year ended June 30, 2017.

	<b>Balance</b>		<b>Payments</b>	<b>Balance</b>	
	<b>June 30, 2016</b>	<b>Additions</b>		<b>June 30, 2017</b>	
Notes Payable	\$ <u>685,898</u>	\$ <u>-</u>	\$ <u>(74,249)</u>	\$ <u>611,649</u>	

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The District considers many factors when setting the fiscal year 2018 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2018, 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 PDS program should be able to maintain revenues if not grow.

**Workforce Innovation and Opportunity Act**

WIOA formula funding for Adults increased from \$1,094,829.59 in FY-16 to \$1,233,521.31 in FY-17. This is a \$138,691.72 increase or 14.9%. WIA formula funding for Dislocated Workers increased from \$830,296.92 in FY-16 to \$968,383.73 in FY-17. This is a \$138,086.81 increase or 14.3%. WIOA formula funding during FY-16 for Youth services was \$1,249,714.63. No Youth Funds for FY-17 were received due to the late passage of the Omnibus Federal Budget. FY-17 Youth funds are expected in July. Trade funding remained steady as \$1,000,000.00 was received in both FY-16 and FY-17. The Adult, Dislocated Worker and Youth funding amounts for FY-17 are reflective of the continued number of local areas showing high unemployment number across the state with our Workforce Area having average unemployment of 6.5% of higher. Planning numbers for FY-18 Adult, Dislocated Worker and Youth funding has been received. They are showing a decrease in funding due to our Workforce Area not exceeding an average 6.5% unemployment that allows for funding thru 1/3 of the funding allocation.

## MANAGEMENTS DISCUSSION AND ANALYSIS

Rapid Response Funds were received in the amount of \$100,000.00 for Trade Case Management.

Two staff members left the Workforce Department during FY-17. Leslie Davis left to take other employment and Heather Stevenson transferred to another department within LCADD.

### Planning Department

During FY-16, the LCADD Planning Department had an income totaling \$203,111.00 through contracts with the Kentucky Transportation Cabinet, and the Kentucky Infrastructure Authority. Current contracts for FY-17 total \$189,717 a 9.0% decrease from last year.

These contracts are as follows:

Transportation Planning	\$78,067.00
Water and Wastewater Planning	\$91,650.00
Local Road Updates	\$16,000.00
Local Contracts	<u>\$4,000.00</u>
Total:	<u>\$189,717.00</u>

While departmental revenues fell during FY-17, staff costs were down as well. However, the decreases in cost were not able to offset revenue decreases, and the department suffered large losses. For FY-18 however, staff size has decreased by one employee, putting the Planning Department in a far better position to support itself over the next fiscal year.

### Aging and Independent Living

Federal Funded Programs:

Beginning of the FY-17, the Department for Aging and Independent Living received an increase in the following federal programs: (Older American Act Services) Title III-C1 Congregate Meals (+\$8,399), Title III-C2 Home Delivered Meals (+\$4,251), Title III-E Family Caregiver (+\$56), and Administration (+\$2,558) (State 1 & 2 +\$8,599). A small decrease in Supportive Services (-\$1,145); Elder Abuse (-\$112); Ombudsman (-\$247); Preventive Health (-\$439).

SHIP program FY 16 - \$37,838; 4-1-16 thru 3-31-17 -\$37,129 (-\$709) with \$0 Contract to 6-30-17.

State Funded Programs:

Kentucky Caregiver (Grandparent) (-\$3,244); State LTC Ombudsman (-\$309) Program Development (PDI) and Homecare Program (No Change in Funding).

FY 17 - 9% State Budget cut from all State funded program (-\$149,883.54)

Other Programs:

Chronic Disease Self - Management & Education Program - (No longer funded) FAST - (No change in funding)

IOA - (No change in Funding)

## MANAGEMENTS DISCUSSION AND ANALYSIS

The Participant Directed Services (PDS) Program saw a decrease in clients of (-72), from 380 (FY16) to 308 (FY17). This change was due to the new MWMA electronic system has put to a halt the number of referrals, and more people are cautious of Medicaid.

### **Community & Economic Development**

In FY17, staff had administrative contracts for a number of projects. There are 20 open funded projects; 6 with administration contracts.

Staff has prepared applications for 36 other potential projects, however only 9 that allow administrative fees. There are 29 projects in the planning phase that could produce administrative contracts.

Staff has administrative contracts with balances for approximately \$157,670 with the potential for approximately \$331,500 more as new projects are funded and/or applied for.

There are 2 vacant positions in the department due to 2 persons leaving the agency. One retired in 2015 but was replaced due to his heavy workload. Another one will be retiring at the end of September 2017 and will not be replaced. Current staff will pick up his workload. Staffing will be held at 6 persons after September. Services will remain unchanged.

### **FY16 RLF Write-Offs**

There were no loans written-off during FY17.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

**ASSETS**

Current assets

Cash	\$	2,840,310
Accounts receivable		
Federal, state and local grants		1,333,820
Consumer Directed Option		350,734
Prepaid expenses		81,790
Total current assets		4,606,654

Other assets

Certificates of deposit		1,050,000
Revolving Loan Fund (RLF) cash, restricted		556,593
RLF notes receivable, restricted		778,629
Property and equipment, net		1,291,091
Total other assets		3,676,313

Total assets		8,282,967
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows - Pension		1,522,741
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**LIABILITIES AND NET POSITION**

Current liabilities

Accounts payable	\$	332,755
Accrued expenses		187,757
Unearned revenue		21,907
Current portion of notes payable		75,185
Total current liabilities		617,604

Long-term liabilities

Net pension liability		6,146,609
Accrued annual leave		203,885
Notes payable		536,464
Total long-term liabilities		6,886,958

Total liabilities		7,504,562
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - Pension		279,137
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**Net position**

Net investment in capital assets		679,442
Restricted		1,335,222
Unrestricted		7,345
Total net position		2,022,009

Total net position	\$	2,022,009
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET POSITION**  
**For the Year Ended June 30, 2017**

**OPERATING REVENUES**

Federal	\$	5,535,947
Commonwealth of Kentucky		1,713,135
In-kind		84,183
Other and local		1,354,214
Total revenues		8,687,479

**OPERATING EXPENSES**

Salaries		2,527,229
Fringe benefits		2,390,999
Travel		119,841
Subgrantees & contracts		2,934,741
Supplies and Computer Expenses		58,945
Postage		1,495
Dues, fees and subscriptions		34,659
Depreciation and amortization		85,644
In-kind		84,183
Other		1,253,608
Total expenses		9,491,344

**OPERATING INCOME (LOSS)** (803,865)

**NON-OPERATING INCOME (EXPENSE)**

Bank interest income		14,293
Interest expense		(22,908)
		(8,615)

**Change in net position** (812,480)

**Net Position - Beginning of Year** 2,834,488

**Net Position - End of Year** \$ 2,022,008

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from grantor agencies	\$ 7,074,814
Local cash received	1,354,215
Payments to suppliers	(4,184,390)
Payments for employee services and benefits	(4,937,761)
	<u>(693,122)</u>
Net cash provided by operating activities	<u>(693,122)</u>

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

Assets acquired	(81,089)
Principal paid on capital debt	(74,249)
Interest expense	(22,908)
	<u>(178,246)</u>
Net cash (used in) capital and related financing activities	<u>(178,246)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Bank interest income	14,293
	<u>14,293</u>
Net cash provided by investing activities	<u>14,293</u>

Net increase (decrease) in cash and cash equivalents (857,075)

Cash and cash equivalents - beginning of the year 4,253,978

**CASH AND CASH EQUIVALENTS - END OF THE YEAR** \$ 3,396,903

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

Operating income	\$ (803,865)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation and amortization	85,644
Net pension adjustment	427,630
Change in assets and liabilities:	
(Increase) decrease in net receivables	(174,267)
(Increase) decrease Prepaid expenses	(81,070)
(Increase) decrease in loans receivable	7,048
Increase (decrease) accounts and other payables	(208,778)
Increase (decrease) in accrued expenses	75,515
Increase (decrease) in accrued leave	(19,533)
Increase (decrease) unearned revenue	(1,446)
	<u>(693,122)</u>
Net cash provided by operating activities	<u>\$ (693,122)</u>

Cash and cash equivalents consists of the following:

Unrestricted cash	\$ 2,840,310
Restricted cash	556,593
	<u>\$ 3,396,903</u>
Total cash and cash equivalents	<u>\$ 3,396,903</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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. The District as an association of local governments works 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. (LCDC). 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, 2017**

**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.

**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, 2017 is \$203,885.

**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 \$185,000 in rentals for the year ended June 30, 2017. 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 November 30, 2017, which represents the date that these financial statements were available to be issued.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**2. CASH AND INVESTMENTS**

At year end, the carrying amount of the District's cash deposits and investments was \$4,446,903 and the bank balance was \$4,747,585. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank as of June 30, 2017. These amounts were covered by Federal Depository Insurance or by securities pledged by financial institutions.

Interest Rate Risk:

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently the District has certificate of deposits with interest rates varying from 1% to 2% with maturity dates ranging from three to twelve months.

**3. GRANTS RECEIVABLE**

Federal, state and local grants receivable consists of the following at June 30, 2017:

WIOA	\$ 609,758
Aging	560,780
Other programs	<u>163,282</u>
Total grants receivable	<u>\$ 1,333,820</u>

**4. LOANS RECEIVABLE**

The District has established the following loan program to assist 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	\$ 1,025,000
Less; Loan Repayments	<u>(246,371)</u>
Total Outstanding Loans	778,629
Less: Allowance for Bad Debts	<u>-</u>
Net Loans Receivable	<u>\$ 778,629</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 \$85,644, for the year ended June 30, 2017. The following summarizes the changes in fixed assets during the year ended:

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**5. CAPITAL ASSETS, CONTINUED**

<b>Capital Assets</b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Buildings	1,868,132	-	-	1,868,132
Equipment and Vehicles	<u>567,561</u>	<u>81,090</u>	<u>-</u>	<u>648,651</u>
Total	2,505,693	-	-	2,586,783
Accumulated depreciation	<u>(1,210,048)</u>	<u>(85,644)</u>	<u>-</u>	<u>(1,295,692)</u>
Net Capital Assets	<u>\$ 1,295,645</u>	<u>\$ (4,554)</u>	<u>\$ -</u>	<u>\$ 1,291,091</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, 2017:

Grant Name:	
Home Delivered Meals	\$21,907

**7. LONG-TERM LIABILITIES**

Notes payable consists of various loans which were obtained by LCDC for various buildings and equipment. Notes payable are as follows at June 30, 2017.

SKRECC, principal due \$3,000 per month bearing interest at a rate of 0%, due 5/2019.	\$ 66,010
Shelby Energy Corp, monthly payment of principal and interest of \$2,760, bearing interest at a rate of 1.8%, due 7/2019.	67,537
USDA Rural Development, annual principal and interest payments of \$28,060, bears interest at a rate of 4.38%, due 1/2049.	<u>478,102</u>
Total debt	611,649
Less: current portion	<u>(75,185)</u>
Total long-term debt	<u>\$ 536,464</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**7. LONG-TERM LIABILITIES, CONCLUDED**

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

2018	\$	75,185	\$	22,001	\$	97,186
2019		70,154		21,042		91,196
2020		10,511		20,310		30,821
2021		8,095		19,966		28,061
2022		8,449		19,611		28,060
2023-2027		48,132		92,168		140,300
2028-2032		59,637		80,663		140,300
2033-2037		73,893		66,407		140,300
2038-2042		91,557		48,743		140,300
2043-2047		113,443		26,857		140,300
2048-2051		52,593		6,869		59,462
		\$ 611,649		\$ 424,637		\$ 1,036,286

The following is a change in notes payable for the year ended June 30, 2017:

	<u>Balances</u>			<u>Balance</u>
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2017</u>
Notes Payable	\$ 685,898	\$ -	\$ (74,249)	\$ 611,649

**8. OPERATING LEASE**

The District leases its offices, equipment and vehicles from the Lake Cumberland 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.

**9. PENSION PLAN**

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability pension expense and pension-related outflows and inflows based on their proportionate share of the collective amounts for all governments in the plan.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**9. PENSION PLAN, CONTINUED**

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**9. PENSION PLAN, CONTINUED**

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS of \$6,146,609.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was .12484%.

For the year ended June 30, 2017, the District recognized pension expense of \$955,484. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 38,334	\$ -
Net difference between projected and actual earnings on pension plan investments	491,412	187,200
Changes in assumptions	465,142	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	91,937
District contributions subsequent to the measurement date	<u>527,853</u>	<u>-</u>
	<u>\$ 1,522,741</u>	<u>\$ 279,137</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**9. PENSION PLAN, CONTINUED**

The fiscal year 2017 CERS employer contributions of \$527,853 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows related to pensions will be amortized over five years or by the average service life and recognized as an increase or decrease in pension expense as follows:

	Deferred Outflows	Deferred Inflows
2018	\$ 397,105	\$ 140,445
2019	314,557	129,035
2020	167,658	9,657
2021	115,568	-
2022	-	-
Total	\$ 994,888	\$ 279,137

*Actuarial assumptions*—the total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense and inflation	7.50%

Mortality rates used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). The RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption 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 timeframe.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**9 PENSION PLAN, CONCLUDED**

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combine Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash Equivalent	<u>2.0%</u>	-0.25%
Total	<u>100.0%</u>	

*Discount rate*—the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the District, calculated using the discount rates selected by CERS, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ 7,659,715	\$ 6,146,609	\$ 4,849,643

*Pension plan fiduciary net position*—detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CERS.

Non-hazardous position employees are required to contribute 5% of gross compensation to the plan. The Board of Trustees of KRS also determines the District's required contribution annually 18.68% for the year ended June 30, 2017. For the year ended June 30, 2017 the District's total covered payroll was approximately \$2,825,763. The District contributed approximately \$527,853 in 2017 and employees contributed approximately \$139,773 to the plan.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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 PDS**

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

The District serves as the fiscal agent for the client and as a support broker. As clients opt for PDS, 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 PDS 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 PDS program. The PDS program then pays the District for its administrative responsibilities. During the year ended June 30, 2017 the District received \$955,644 from the PDS program for administration and the District was owed \$350,734 by the PDS 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  
SCHEDULE OF THE DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY CERS**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's portion of the net pension liability	0.12484%	0.12600%	0.12917%
District's proportionate share of net pension liability	\$ 6,146,609	\$ 5,417,490	\$ 4,190,368
District's covered-employee payroll	\$ 2,825,763	\$ 2,968,342	\$ 2,941,160
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.52%	182.51%	142.47%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

\*\* Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - CERS**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 527,853	\$ 506,399	\$ 519,703
Contributions in relation to the contractually required contribution	<u>(527,853)</u>	<u>(506,399)</u>	<u>(519,703)</u>
Difference in actual and required contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 2,825,763	 \$ 2,968,342	 \$ 2,941,160
Contributions as a percentage of covered- employee payroll	18.68%	17.06%	17.67%

\*\*Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**SUPPLEMENTARY INFORMATION**

## 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 WIOA and Aging grants.

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

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.

All additional costs which are not identified above are charged as shared costs unless otherwise indicated by the Department for Local Government or are prohibited.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
SCHEDULE OF SHARED/INDIRECT COSTS  
For the year ended June 30, 2017**

**Cost Categories:**

Salaries	\$ 320,903
Personnel Burden	234,799
Leave Time	25,848
Travel, staff and board	44,495
Equipment maintenance and rent	33,333
Building rentals	126,390
Meeting expenses	3,995
Utilities and telephone	42,068
Janitorial expenses	15,891
Auto expense	57,160
Dues and memberships	8,579
Printing and publications	2,923
Supplies	22,245
Insurance	47,739
Postage	549
Other	<u>33,873</u>
	<u>\$ 1,020,790</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS BY PROGRAM  
For the year ended June 30, 2017**

	<u>JFA</u>	<u>WIOA</u>	<u>AGING</u>	<u>PDS</u>	<u>Planning &amp; Trans</u>	<u>Other</u>	<u>Local</u>	<u>G &amp; A Expense</u>	<u>Total</u>
<b>Revenues</b>									
Federal Grants	\$ 180,737	\$ 3,962,901	\$ 1,128,990	\$ -	\$ 12,345	\$ 208,833	\$ -	\$ -	\$ 5,493,806
State Grants	192,406	-	1,351,012	-	169,717	-	-	-	1,713,135
Local	-	-	75,303	955,644	-	29,091	87,964	-	1,148,002
Other	-	-	-	-	-	1,650	-	-	1,650
Interest on Loans	-	-	-	-	-	16,630	12,566	-	29,196
In-Kind	-	-	84,183	-	-	-	-	-	84,183
Total Revenues	<u>373,143</u>	<u>3,962,901</u>	<u>2,639,488</u>	<u>955,644</u>	<u>182,062</u>	<u>256,204</u>	<u>100,530</u>	<u>-</u>	<u>\$ 8,469,972</u>
<b>Expenses</b>									
Salaries	241,841	696,360	748,088	367,167	128,047	24,823	-	320,903	2,527,229
Personnel Burden	145,453	493,104	472,093	302,205	84,023	8,521	431,565	260,647	2,197,611
Leave Time	21,664	55,469	45,596	22,613	10,890	2,163	-	-	158,395
Subgrantees & Contracts	-	2,206,427	470,092	-	-	258,222	-	-	2,934,741
Travel staff	1,231	31,895	12,390	24,461	3,396	1,973	-	44,495	119,841
Other Direct Expenses	1,624	150,145	610,511	32,553	13,266	1,750	84,183	394,745	1,288,777
In-Kind	-	-	84,183	-	-	-	-	-	84,183
Total Shared Costs	<u>102,688</u>	<u>329,501</u>	<u>333,909</u>	<u>184,432</u>	<u>60,107</u>	<u>10,153</u>	<u>-</u>	<u>(1,020,790)</u>	<u>-</u>
Total Expenses	<u>514,501</u>	<u>3,962,901</u>	<u>2,776,862</u>	<u>933,431</u>	<u>299,729</u>	<u>307,605</u>	<u>515,748</u>	<u>-</u>	<u>9,310,777</u>
<b>Revenues over (under) Expenses</b>	<u><u>\$ (141,358)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (137,374)</u></u>	<u><u>\$ 22,213</u></u>	<u><u>\$ (117,667)</u></u>	<u><u>\$ (51,401)</u></u>	<u><u>\$ (415,218)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (840,805)</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
JOINT FUNDING ADMINISTRATION PROGRAMS  
For the year ended June 30, 2017**

	<u>BUDGET</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>TOTAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
<b>Revenues:</b>					
Federal	\$ 180,737	\$ 180,737	\$ -	\$ 180,737	\$ -
State	192,406	192,406	-	192,406	-
Local funds	-	-	-	-	-
	<u>373,143</u>	<u>373,143</u>	<u>-</u>	<u>373,143</u>	<u>-</u>
<b>Expenditures:</b>					
Community and Economic Development EDA (120)	52,000	77,474	8,559	86,033	(34,033)
Community and Economic Development (125)	23,031	43,854	2,926	46,780	(23,749)
Community and Economic Development (130)	212,444	211,718	71,656	283,374	(70,930)
Management Assistance (140)	44,000	42,081	9,529	51,610	(7,610)
Program Administration (150)	41,668	36,686	10,018	46,704	(5,036)
	<u>373,143</u>	<u>411,813</u>	<u>102,688</u>	<u>514,501</u>	<u>(141,358)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (38,670)</u>	<u>\$ (102,688)</u>	<u>\$ (141,358)</u>	<u>\$ (141,358)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
SCHEDULE OF AGING OPERATIONS BY PROGRAM  
For the year ended June 30, 2017**

	<u>III-B Admin</u>	<u>III-B Support Services</u>	<u>III-B Ombudsman</u>	<u>III-C1 Meals Admin</u>	<u>III-C1 Cong. Meals</u>	<u>III-C2 Meals Admin</u>	<u>III-C2 HD Meals</u>
<b>Revenues</b>							
Federal Grants	\$ 25,241	\$ 324,721	\$ 16,248	\$ 32,727	\$ 274,060	\$ 16,696	\$ 152,251
State Grants	28,957	104,899	1,322	8,160	29,699	4,209	51,500
Local	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Interest on Loans	-	-	-	-	-	-	-
In-Kind	-	9,000	-	-	13,800	-	9,450
Program Income	-	4,341	-	-	58,335	-	9,968
<b>Total Revenues</b>	<u>54,198</u>	<u>442,961</u>	<u>17,570</u>	<u>40,887</u>	<u>375,894</u>	<u>20,905</u>	<u>223,169</u>
<b>Expenses</b>							
Salaries	24,946	151,202	5,700	24,405	120,377	11,855	70,388
Personnel Burden	12,958	100,798	5,968	13,099	68,504	7,984	36,910
Leave Time	2,319	7,309	323	2,525	3,852	1,342	1,874
Contracts	-	66,532	-	-	-	-	-
Travel Staff	898	698	701	-	64	-	66
Other Direct Expenses	619	109,515	1,613	235	129,987	138	74,193
In-Kind	-	9,000	-	-	13,800	-	9,450
Shared Costs	12,618	64,159	3,266	10,065	53,870	6,152	30,288
<b>Total Expenditures</b>	<u>54,358</u>	<u>509,213</u>	<u>17,571</u>	<u>50,329</u>	<u>390,454</u>	<u>27,471</u>	<u>223,169</u>
<b>Revenue Over (Under) Expenditures</b>	<u>\$ (160)</u>	<u>\$ (66,252)</u>	<u>\$ (1)</u>	<u>\$ (9,442)</u>	<u>\$ (14,560)</u>	<u>\$ (6,566)</u>	<u>\$ -</u>

<u>III-D</u>	<u>III-E</u>	<u>III-E</u>	<u>Homecare</u>	<u>Homecare</u>	<u>Homecare HD</u>	<u>Total</u>
<u>Preventive</u>	<u>Caregiver</u>	<u>Caregiver</u>	<u>Admin</u>	<u>Case</u>	<u>Meals</u>	
<u>Health</u>	<u>Admin</u>			<u>Management</u>		
\$ 16,600	\$ 9,369	\$ 102,760	\$ -	\$ -	\$ -	\$ 970,673
7,927	-	-	95,572	685,737	153,114	1,171,096
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,268	34,280	-	-	15,000	82,798
-	-	-	-	-	2,659	75,303
<u>24,527</u>	<u>10,637</u>	<u>137,040</u>	<u>95,572</u>	<u>685,737</u>	<u>170,773</u>	<u>2,299,870</u>
10,451	6,302	18,298	45,877	109,590	60,502	659,893
5,524	2,732	8,231	29,140	91,466	27,928	411,242
702	757	1,819	4,059	11,135	1,165	39,181
-	-	-	-	402,960	-	469,492
861	-	25	544	4,384	63	8,304
3,073	-	68,456	345	8,564	45,455	442,193
-	1,268	34,280	-	-	15,000	82,798
<u>3,917</u>	<u>1,611</u>	<u>5,931</u>	<u>19,320</u>	<u>59,015</u>	<u>20,660</u>	<u>290,872</u>
<u>24,528</u>	<u>12,670</u>	<u>137,040</u>	<u>99,285</u>	<u>687,114</u>	<u>170,773</u>	<u>2,403,975</u>
<u>\$ (1)</u>	<u>\$ (2,033)</u>	<u>\$ -</u>	<u>\$ (3,713)</u>	<u>\$ (1,377)</u>	<u>\$ -</u>	<u>\$ (104,105)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
SCHEDULE OF AGING OPERATIONS BY PROGRAM CONTINUED  
For the year ended June 30, 2017**

	<u>VII</u> <u>Ombuds</u> <u>man</u>	<u>VII Elder</u> <u>Abuse</u>	<u>NSIP</u>	<u>KY</u> <u>Caregiver</u> <u>Admin</u>	<u>KY</u> <u>Caregiver</u> <u>Services</u>	<u>SHIP</u> <u>Admin</u>	<u>SHIP</u> <u>Services</u>	<u>STLC</u>	<u>Medicaid</u> <u>ADRC</u>
<b><u>Revenues</u></b>									
Federal Grants	\$ 7,442	\$ 3,745	\$80,616	\$ -	\$ -	\$1,098	\$22,717	\$ -	\$ 7,740
State Grants	1,289	775	-	13,212	115,989	-	-	40,911	7,740
Local	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Interest on Loans	-	-	-	-	-	-	-	-	-
In-Kind	716	669	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<u>9,447</u>	<u>5,189</u>	<u>80,616</u>	<u>13,212</u>	<u>115,989</u>	<u>1,098</u>	<u>22,717</u>	<u>40,911</u>	<u>15,480</u>
<b><u>Expenses</u></b>									
Salaries	3,869	1,660	-	7,976	15,578	697	8,906	15,461	17,537
Personnel Burden	3,981	1,555	-	2,649	8,213	232	6,926	14,878	11,163
Leave Time	261	87	-	648	1,639	85	406	912	1,451
Contracts	-	-	-	-	-	-	-	-	-
Travel Staff	409	245	-	-	88	-	394	2,448	-
Other Direct Expenses	92	-	80,616	-	85,096	-	742	214	52
In-Kind	716	669	-	-	-	-	-	-	-
Total Shared Costs	<u>2,409</u>	<u>973</u>	<u>-</u>	<u>3,768</u>	<u>6,440</u>	<u>253</u>	<u>5,997</u>	<u>7,412</u>	<u>10,316</u>
<b>Total Expenditures</b>	<u>11,737</u>	<u>5,189</u>	<u>80,616</u>	<u>15,041</u>	<u>117,054</u>	<u>1,267</u>	<u>23,371</u>	<u>41,325</u>	<u>40,519</u>
<b>Revenue Over (Under) Expenditures</b>	<u>\$(2,290)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,829)</u>	<u>\$ (1,065)</u>	<u>\$ (169)</u>	<u>\$ (654)</u>	<u>\$ (414)</u>	<u>\$(25,039)</u>

<u>CDSMP</u>	<u>FAST</u>	<u>IAO</u>	<u>MIPPA ADRC</u>	<u>MIPPA AAA</u>	<u>MIPPA SHIP</u>	<u>Total</u>
\$ 1,485	\$2,000	\$2,350	\$ 7,858	\$5,405	\$15,861	\$ 158,317
-	-	-	-	-	-	179,916
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,385
-	-	-	-	-	-	-
<u>1,485</u>	<u>2,000</u>	<u>2,350</u>	<u>7,858</u>	<u>5,405</u>	<u>15,861</u>	<u>339,618</u>

35	893	1,091	3,919	2,866	7,708	88,196
14	446	405	3,197	1,575	5,618	60,852
-	140	75	218	83	410	6,415
-	-	600	-	-	-	600
-	18	192	-	-	293	4,087
1,424	-	80	-	-	-	168,316
						1,385
<u>14</u>	<u>628</u>	<u>74</u>	<u>1,674</u>	<u>1,082</u>	<u>1,996</u>	<u>43,036</u>
<u>1,487</u>	<u>2,125</u>	<u>2,517</u>	<u>9,008</u>	<u>5,606</u>	<u>16,025</u>	<u>372,887</u>

\$ (2) \$ (125) \$ (167) \$(1,150) \$ (201) \$ (164) \$(33,269)

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
STATEMENT OF OPERATIONS  
OTHER GRANTS AND CONTRACTS  
For the year ended June 30, 2017**

	<u>Pre-Disaster Mitigation</u>	<u>Transportation Planning</u>	<u>Transportation Road Updates</u>	<u>RLF</u>	<u>KIA</u>	<u>ARC Leader in Me</u>	<u>Total</u>
<b><u>Revenues</u></b>							
Federal Grants	\$ 35,983	\$ -	\$ 12,345	\$ -	\$ -	\$ 172,850	\$ 221,178
State Grants	-	78,067	-	-	91,650	-	169,717
Local	-	-	-	-	-	29,091	29,091
Other	-	-	-	1,650	-	-	1,650
Interest on Loans	-	-	-	16,630	-	-	16,630
In-Kind	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-
<b>Total Revenues</b>	<u>35,983</u>	<u>78,067</u>	<u>12,345</u>	<u>18,280</u>	<u>91,650</u>	<u>201,941</u>	<u>438,266</u>
<b><u>Expenses</u></b>							
SALARIES/WAGES	17,647	59,487	6,323	7,176	62,237	-	152,870
PERSONNEL BURDEN	5,164	41,425	2,431	3,357	40,167	-	92,544
LEAVE TIME	1,647	5,126	474	515	5,290	-	13,052
CONTRACTS	-	-	-	-	-	258,222	258,222
TRAVEL - STAFF	1,199	1,747	-	774	1,649	-	5,369
Other Direct Expenses	450	4,015	1,064	1,301	8,186	-	15,016
Total Shared Costs	<u>6,944</u>	<u>29,137</u>	<u>2,344</u>	<u>3,209</u>	<u>28,627</u>	<u>-</u>	<u>70,261</u>
<b>Total Expenses</b>	<u>33,051</u>	<u>140,937</u>	<u>12,636</u>	<u>16,332</u>	<u>146,156</u>	<u>258,222</u>	<u>607,334</u>
Revenue Over (Under) Expenses	<u>\$ 2,932</u>	<u>\$ (62,870)</u>	<u>\$ (291)</u>	<u>\$ 1,948</u>	<u>\$ (54,506)</u>	<u>\$ (56,281)</u>	<u>\$ (169,068)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**WIOA STATEMENT OF OPERATIONS BY GRANT**  
**For the year ended June 30, 2017**

WIA Revenue by Grant:

WIA-Youth:

274YT16 -PY 15	\$	620,603
274YT17 -PY 16		550,598

WIA-Adult:

270AD17- PY-16		157,521
273AD15 - FY 15		7,849
273AD16 - FY 16		213,456
273AD17 - FY 17		805,103

WIA-Dislocated Workers:

271DW15 - FY-15		83,813
272DW15 - PY-14		234,219
271DW16 - FY-16		515,440
272DW16 - PY15		(119,324)
271DW17 - FY-17		185,004

WIA-Trade:

205BE14		156,377
205BE15		523,082
205BE16		29,160

Total Revenue		3,962,901
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Expenditures:

WIA-Youth:

274YT16 -PY 15		620,603
274YT17 -PY 16		550,598

WIA-Adult:

270AD17- PY-16		157,521
273AD15 - FY 15		7,849
273AD16 - FY 16		213,456
273AD17 - FY 17		805,103

WIA-Dislocated Workers:

271DW15 - FY-15		83,813
272DW15 - PY-14		234,219
271DW16 - FY-16		515,440
272DW16 - PY15		(119,324)
271DW17 - FY-17		185,004

WIA-Trade:

205BE14		156,377
205BE15		523,082
205BE16		29,160

Total Expenditures		3,962,901
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Revenues Over (Under) Expenditures		\$ -
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

	LCADD	Development Council	Combined
<b>ASSETS</b>			
Current assets			
Cash	\$ 2,605,069	\$ 235,241	\$ 2,840,310
Accounts receivable		-	
Federal, state and local grants	1,333,820	-	1,333,820
Consumer Directed Option	350,734	-	350,734
Prepaid expenses	81,790	-	81,790
Total current assets	<u>4,371,413</u>	<u>235,241</u>	<u>4,606,654</u>
Other assets			
Certificates of deposit	1,050,000	-	1,050,000
Revolving Loan Fund (RLF) cash, restricted	556,593	-	556,593
RLF notes receivable, restricted	778,629	-	778,629
Property and equipment, net	-	1,291,091	1,291,091
Total other assets	<u>2,385,222</u>	<u>1,291,091</u>	<u>3,676,313</u>
Total assets	<u>6,756,635</u>	<u>1,526,332</u>	<u>8,282,967</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - Pension	<u>1,522,741</u>	<u>-</u>	<u>1,522,741</u>
<b>LIABILITIES AND NET POSITION</b>			
Current liabilities			
Accounts payable	\$ 332,755	\$ -	\$ 332,755
Accrued expenses	187,757	-	187,757
Unearned revenue	21,907	-	21,907
Current portion of notes payable	-	75,185	75,185
Total current liabilities	<u>542,419</u>	<u>75,185</u>	<u>617,604</u>
Long-term liabilities			
Net pension liability	6,146,609	-	6,146,609
Accrued annual leave	203,885	-	203,885
Notes payable	-	536,464	536,464
Total long-term liabilities	<u>6,350,494</u>	<u>536,464</u>	<u>6,886,958</u>
Total liabilities	<u>6,892,913</u>	<u>611,649</u>	<u>7,504,562</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	<u>279,137</u>	<u>-</u>	<u>279,137</u>
<b>Net position</b>			
Net investment in capital assets	-	679,442	679,442
Restricted	1,335,222	-	1,335,222
Unrestricted	<u>(227,896)</u>	<u>235,241</u>	<u>7,345</u>
Total net position	<u>\$ 1,107,326</u>	<u>\$ 914,683</u>	<u>\$ 2,022,009</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**COMBINING STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2017**

	LCADD	Development Council	Combined
<b>OPERATING REVENUES</b>			
Federal	\$ 5,493,806	\$ 42,141	\$ 5,535,947
Commonwealth of Kentucky	1,713,135	-	1,713,135
In-kind	84,183	-	84,183
Other and local	<u>1,165,159</u>	<u>189,055</u>	<u>1,354,214</u>
 Total	 <u>8,456,283</u>	 <u>231,196</u>	 <u>8,687,479</u>
<b>OPERATING EXPENSES</b>			
Salaries	2,527,229	-	2,527,229
Fringe benefits	2,390,999	-	2,390,999
Travel	119,841	-	119,841
Subgrantees & contracts	2,934,741	-	2,934,741
Supplies and computer expenses	58,945	-	58,945
Postage	1,495	-	1,495
Dues, fees and subscriptions	34,659	-	34,659
Depreciation and amortization	-	85,644	85,644
In-kind	84,183	-	84,183
Other	<u>1,158,685</u>	<u>94,923</u>	<u>1,253,608</u>
 Total expenses	 <u>9,310,777</u>	 <u>180,567</u>	 <u>9,491,344</u>
 <b>OPERATING INCOME (LOSS)</b>	 <u>(854,494)</u>	 <u>50,629</u>	 <u>(803,865)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Bank interest income	13,689	604	14,293
Interest expense	<u>-</u>	<u>(22,908)</u>	<u>(22,908)</u>
 <b>Change in Net Position</b>	 <u>(840,805)</u>	 <u>28,325</u>	 <u>(812,480)</u>
 <b>Net Position - Beginning of Year</b>	 <u>1,948,131</u>	 <u>886,357</u>	 <u>2,834,488</u>
 <b>Net Position - End of Year</b>	 <u>\$ 1,107,326</u>	 <u>\$ 914,682</u>	 <u>\$ 2,022,008</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2017**

	LCADD	Development Council	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from grantor agencies	\$7,032,673	\$ 42,141	\$7,074,814
Local cash received	1,165,160	189,055	1,354,215
Payments to suppliers	(4,083,857)	(100,533)	(4,184,390)
Payments for employee services and benefits	(4,937,761)	-	(4,937,761)
	<u>(823,785)</u>	<u>130,663</u>	<u>(693,122)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Assets acquired	-	(81,089)	(81,089)
Principal paid on capital debt	-	(74,249)	(74,249)
Interest expense	-	(22,908)	(22,908)
	<u>-</u>	<u>(178,246)</u>	<u>(178,246)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Bank interest income	13,689	604	14,293
	<u>13,689</u>	<u>604</u>	<u>14,293</u>
Net cash provided by investing activities	<u>13,689</u>	<u>604</u>	<u>14,293</u>
Net increase (decrease) in cash and cash equivalents	(810,096)	(46,979)	(857,075)
Cash and cash equivalents - beginning of the year	<u>3,971,758</u>	<u>282,220</u>	<u>4,253,978</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u><u>\$3,161,662</u></u>	<u><u>\$ 235,241</u></u>	<u><u>\$3,396,903</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ (854,494)	\$ 50,629	\$ (803,865)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation and amortization	-	85,644	85,644
Net pension adjustment	427,630	-	427,630
Change in assets and liabilities:			
(Increase) decrease in net receivables	(174,267)	-	(174,267)
(Increase) decrease Prepaid expenses	(81,070)	-	(81,070)
(Increase) decrease in loans receivable	7,048	-	7,048
Increase (decrease) accounts and other payables	(203,168)	(5,610)	(208,778)
Increase (decrease) in accrued expenses	75,515	-	75,515
Increase (decrease) in accrued leave	(19,533)	-	(19,533)
Increase (decrease) unearned revenue	(1,446)	-	(1,446)
	<u>(823,785)</u>	<u>130,663</u>	<u>(693,122)</u>
Net cash provided by operating activities	<u><u>\$ (823,785)</u></u>	<u><u>\$ 130,663</u></u>	<u><u>\$ (693,122)</u></u>
Cash and cash equivalents consists of the following:			
Unrestricted cash	2,605,069	235,241	2,840,310
Restricted cash	556,593	-	556,593
	<u>556,593</u>	<u>-</u>	<u>556,593</u>
Total cash and cash equivalents	<u><u>\$3,161,662</u></u>	<u><u>\$ 235,241</u></u>	<u><u>\$3,396,903</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2017**

	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Dept of Health and Human Services</b>			
<b>Passed Through KY Cabinet for Health and Family Services</b>			
<b>Dept of Aging and Independent Living</b>			
Programs for Aging Title III:			
Title III - B Administration	09-11891	93.044	\$ 25,241
Part B: Supportive Services	09-11891	93.044	340,969
Part C1: Nutrition Services	09-11891	93.045	306,787
Part C2: Nutrition Services	09-11891	93.045	168,947
Nutrition Services Incentive Program (USDA)	09-11891	93.053	80,616
Total Aging Cluster			<u>922,560</u>
Part D: Disease Prevention	09-11891	93.043	16,600
Part E: National Family Caregiver Support	09-11891	93.052	112,129
Specialty Contracts:			
Center for Medicare & Medicaid Services (SHIP)	09-11891	93.324	23,815
Aging & Disability Resource Center (ADRC)	09-11891	93.778	7,740
Chronic Disease and Self Management Education (CDSME)		93.725	1,485
FAST		93.069	2,000
MIPPA - AAA		93.071	5,405
MIPPA - SHIP		93.071	15,861
MIPPA - ADRC		93.071	7,858
IAO		93.945	2,350
Programs for Aging Title VII:			
Ombudsman	09-11891	93.042	7,442
Elder Abuse	09-11891	93.041	3,745
			<u>\$ 1,128,990</u>
<b>US Department of Commerce:</b>			
Revolving Loan Fund (1)		11.300	<u>\$ 919,056</u>
<b>U.S. Federal Dept of Homeland Security</b>			
<b>Ky Office of Homeland Security</b>			
Pre - Disaster Mitigation		97.047	35,983
			<u>\$ 35,983</u>
<b>U.S. Department of Commerce/Economic Development Administration</b>			
<b>Governor's Office for Local Development:</b>			
Leader in Me (ARC)		23.001	172,850
Appalachian Regional Commission (ARC)		23.009	106,222
Economic Development Technical Assistance (JFA-EDA)		11.302	40,000
JFA - Technical Assistance Program (JFA-CDBG)		11.302	23,000
CDBG - Technical Assistance Program (JFA-CDBG)		14.218	11,515
			<u>\$ 353,587</u>
<b>U.S. Department of Transportation</b>			
<b>Kentucky Transportation Cabinet</b>			
Local Road Updates		20.205	12,345
			<u>\$ 12,345</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

**U.S. DOL, Education Cabinet, Office of Employment and Training**

**Division of Workforce Services:**

WIOA-Youth:			
274YT16 - PY 15	M-04127521	17.259	620,603
274YT17 - PY 16	M-04127521	17.259	550,598
WIOA-Adult:			
170AD17- PY 16	M-04127521	17.258	157,521
273AD15 -FY 15	M-04127521	17.258	7,849
273AD16 - FY 16	M-04127521	17.258	213,456
273AD17 - FY 17	M-04127521	17.258	805,103
WIOA-Dislocated Workers:			
271DW15 - FY 15	M-04127521	17.278	12,241
271DW16 - FY 16	M-04127521	17.278	587,012
271DW17 - FY 17	M-04127521	17.260	185,004
272DW16 - PY 15	M-04127521	17.278	114,895
Total WIOA Cluster			3,254,282
WIOA Trade:			
205BE14	M-04127521	17.245	156,377
205BE15	M-04127521	17.245	523,082
205BE16	M-04127521	17.245	29,160
Total WIOA			3,962,901
Total Federal Financial Assistance			\$ 6,412,862

**Notes:**

- The EDA Revolving Loan Fund contains a balance of \$1,335,221, 68% of which is Federal (\$907,950) and administrative expenses of \$16,332, 68% of which is federal (\$11,106). The total Federal share equals \$919,056.

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lake Cumberland Area Development District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Lake Cumberland Area Development District, it is not intended to and does not present the financial position, changes in net position or cash flows of Lake Cumberland Area Development District.

**Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Indirect Cost Rate:**

Lake Cumberland Area development District did not elect to use the 10 percent *de minimis* indirect 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, 2017**

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

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes  No

Dollar threshold used to distinguish Between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes \_\_\_\_\_ No

**Identification of Major Programs:**

Major Programs CFDA Number

Name of Federal Program or Cluster

17.258, 17.259, 17.260, 17.278

DOL Workforce Investment Opportunity Act

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONCLUDED  
For the Year Ended June 30, 2017**

**II. FINANCIAL STATEMENTS FINDINGS**

NONE

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**IV. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

NONE

**V. PRIOR AUDIT FINDINGS**

NONE

Cindy L. Greer, CPA • L. Joe Rutledge, CPA • Jonathan W. Belcher, CPA • R. Brent Billingsley, CPA  
Skip R. Campbell, CPA • Ryan A. Mosier, CPA • Jenna B. Glass, CPA • Sharon Waggener, CPA

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

To the Board of Directors  
Lake Cumberland Area Development District  
Russell Springs, 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 Lake Cumberland Area Development District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
November 30, 2017

Cindy L. Greer, CPA • L. Joe Rutledge, CPA • Jonathan W. Belcher, CPA • R. Brent Billingsley, CPA  
Skip R. Campbell, CPA • Ryan A. Mosier, CPA • Jenna B. Glass, CPA • Sharon Waggener, CPA

INDEPENDENT AUDITOR'S 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 Lake Cumberland Area Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lake Cumberland Area Development District's major federal programs for the year ended June 30, 2017. 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lake Cumberland Area Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Lake Cumberland Area Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Lake Cumberland Area Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control over Compliance**

Management of Lake Cumberland Area Development District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
November 30, 2017

