

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

Report on Audit of
Financial Statements
For the Year Ended June 30, 2020

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Cumberland Area Development District (District), as of and for the year ended June 30, 2020, 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 the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Lake Cumberland Area Development District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Reporting Model

As discussed in Note 1 to the financial statements, effective July 1, 2019, the District changed its reporting model in order to better conform to the reporting requirements of the Governmental Accounting Standards Board (GASB). This change required a restatement of net position as of July 1, 2019. Our opinion is not modified with respect to this matter.

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, budgetary comparison schedules on pages 32 and 33, and Pension and OPEB Schedules on pages 34-37 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 schedule of shared/indirect costs, cost allocation policy, statement of operations by program, other information, 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 11, 2020, 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 11, 2020

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 2020. 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 2020:

	FY 2020	FY 2019	Change
Current Assets	\$ 5,358,633	\$ 4,228,862	\$ 1,129,771
Capital and Other Assets	2,471,067	3,537,024	(1,065,957)
Deferred Outflows of Resources	<u>2,077,112</u>	<u>1,805,537</u>	<u>271,575</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 9,906,812</u>	<u>\$ 9,571,423</u>	<u>\$ 335,389</u>
Current Liabilities	\$ 483,865	\$ 452,519	\$ 31,346
Long Term Liabilities	10,450,943	9,369,374	1,081,569
Deferred Inflows of Resources	<u>1,173,606</u>	<u>1,275,975</u>	<u>(102,369)</u>
Total Liabilities & Deferred Inflows of Resources	<u>12,108,414</u>	<u>11,097,868</u>	<u>1,010,546</u>
Net Position			
Net Investment in Capital assets	\$ 624,932	\$ 667,313	\$ (42,381)
Restricted	1,372,158	1,356,171	15,987
Unrestricted	<u>(4,198,692)</u>	<u>(3,549,929)</u>	<u>(648,763)</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>\$ 9,906,812</u>	<u>\$ 9,571,423</u>	<u>\$ 335,389</u>

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

	FY 2020	FY 2019	Change
Operating Revenues			
Federal	\$ 6,459,799	\$ 6,496,046	\$ (36,247)
State	1,513,190	1,672,180	(158,990)
In-Kind	82,277	64,634	17,643
Other and Local	<u>1,249,185</u>	<u>1,173,753</u>	<u>75,432</u>
Total Operating Revenues	<u>9,304,451</u>	<u>9,406,613</u>	<u>(102,162)</u>
Operating Expenses			
Salaries and Fringe	4,687,592	3,935,135	752,457
Subgrantees and Contractual	3,102,789	3,574,903	(472,114)
Other	<u>2,212,656</u>	<u>2,239,025</u>	<u>(26,369)</u>
Total Operating Expenses	<u>10,003,037</u>	<u>9,749,063</u>	<u>253,974</u>
Operating Income	<u>(698,586)</u>	<u>(342,450)</u>	<u>(356,136)</u>
Non-Operating Income (Expense)			
Bank Interest Income	43,709	12,745	30,964
Interest Expense	<u>(20,280)</u>	<u>(21,024)</u>	<u>744</u>
Total Non-Operating Income	<u>23,429</u>	<u>(8,279)</u>	<u>31,708</u>
Change in Net Position	(675,157)	(350,729)	(324,428)
Net Position, Beginning of Year	<u>(1,526,445)</u>	<u>(1,175,716)</u>	<u>(350,729)</u>
Net Position, End of Year	<u>\$ (2,201,602)</u>	<u>\$ (1,526,445)</u>	<u>\$ (675,157)</u>

The significant change in net position is directly related to the implementation of GASB Statement 68 and 75 which requires the District to report its proportionate share of the unfunded liability of the CERS pension and OPEB plans 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 in the 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, 2020 totaled \$902,027 compared to \$787,174 in 2019.

MANAGEMENT’S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

The District acquired an additional vehicle in fiscal year 2020. The district retired two vehicles which were completely depreciated. Accumulated depreciation had a net increase of \$29,735 from fiscal year 2019 to fiscal year 2020, leaving a remaining balance of \$1,083,973 in net capital assets.

Capital Assets	<u>Balance</u> <u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Buildings	1,868,132	-	-	1,868,132
Equipment and Vehicles	<u>602,951</u>	<u>26,834</u>	<u>(43,979)</u>	<u>585,806</u>
 Total	 2,541,083	 26,834	 (43,979)	 2,523,938
Accumulated depreciation	<u>(1,410,230)</u>	<u>(73,714)</u>	<u>43,979</u>	<u>(1,439,965)</u>
 Net Capital Assets	 <u>\$ 1,130,853</u>	 <u>\$ (46,880)</u>	 <u>\$ -</u>	 <u>\$ 1,083,973</u>

LONG-TERM DEBT

Notes payable consists of one remaining loan which was obtained by LCDC from USDA Rural Development for various buildings upgrades and equipment additions. There were no new loans for the year ended June 30, 2020.

<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2020</u>
\$ 463,540	\$ -	\$ (7,762)	\$ 455,778

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The District considers many factors when setting the fiscal year 2020 budget. The most significant factor is the uncertainty of state and federal funding. At the start of fiscal year 2019, 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 remain relatively level. Our Medicaid PDS program should be able to maintain revenues if not grow.

Workforce Innovation and Opportunity Act

WIOA formula funding for Adults decreased from \$1,163,114 in FY-19 to \$981,805 in FY-20 for a decrease of 15.4%. This is an \$181,309 decrease. WIA formula funding for Dislocated Workers decreased from \$806,024 in FY-19 to \$716,257 for FY-20 for a decrease of 11.1%. This is a \$89,766 decrease. WIOA formula funding for Youth services increased from \$916,061 in FY-19 to \$958,801 in FY-20 for an increase 4.5%. This is a \$42,739 increase. Funding for Trade training was received \$290,000 in FY-20 to support Trade participants. This is a 58.6% decrease due to lower number of participants in the Trade program. The Adult, Dislocated Worker and Youth funding amounts continue to fluctuate due to Federal Funding and the unemployment rates across the state with dictates the proration of funding.

Rapid Response Funds were received in the amount of \$75,000 FY-20 for Trade Case Management.

Special funding awards during FY-20, \$150,500 was received through Statewide Reserve Dollars to serve Youth Work Experience participants. Also, \$32,067 was received through Statewide Reserve funds for a training program with KECH. And \$182,077 was rescinded by the state in Medicaid funding.

LCADD continued with contracts from Lincoln Trail Area Development District (LTADD) to serve as the One-Stop Operator and Direct Service Provider under WIOA. LCADD received \$110,500 in reimbursement for LTADD with \$5,918 being LCADD Administration thru the contract for the One-Stop Operator contract and \$300,396 in reimbursement thru the Direct Services contract with \$26,863 being LCADD Administration. LCADD currently has 4 employees thru these contracts.

LCADD Workforce Department had no new employees during FY-20. Three individuals were contracted thru temp services. As of June 30, 2020 only one remained.

Planning Department

During FY-19, the LCADD Planning Department had an income totaling \$177,076 through contracts with the Kentucky Transportation Cabinet, and the Kentucky Infrastructure Authority. Contracts for FY-20 total \$180,076 which is a 1.7% increase over the previous year.

These contracts are as follows:

Transportation Planning	\$78,065
Water and Wastewater Planning	76,000
Local Road Updates	21,000
Local Contracts	<u>5,000</u>
Total:	<u>\$180,075</u>

With no cuts in revenue, and cuts in staffing and reductions in insurance and other costs, the Planning Department budget has begun to stabilize over the last year. With the addition of several smaller local contracts, the Planning Department will be in a better position to support itself over the next fiscal year.

Aging and Independent Living

Lake Cumberland Area Agency on Aging and Independent Living (LCAAIL) FY'20 budget was \$2,418,792, this was an increase of \$1,569 (0.1%) from FY'19 amount of \$2,417,233.

During FY'20 funds were received to furnish meals and services to eligible individuals that were 60 and over due to the Covid-19 pandemic. Funds of \$211,975 was receive from the Covid Relief Fund and \$245,116 was received from Cares Act.

During FY20 the Aging Dept. experienced the turnover of one Independent Care Coordinator/Case Manager. There are no current vacancies.

MANAGEMENTS DISCUSSION AND ANALYSIS, CONCLUDED

The shifting of responsibilities for data input in SAMS to the senior citizen directors was completed. However, due to Covid-19 pandemic Social Services Assistants resumed entering units into SAMS. The realignment of duties continues to allowed the data entry clerk to be more available as an Aging and Disability Resource Operator and to cross train in the role of a social services assistant. This process was slowed due to the Covid-19 pandemic.

One Social Service Assistant continues to do data input in SAMS on behalf of the senior citizen directors in several counties, as the COVID-19 meals ends realignment in FY'21 will free the SSA to focus on case management duties.

Due to the Covid-19 pandemic, Aging Case Managers had to stop making in home visits and instead did followup and assessment via phone. This will continue until further notice from the Department of Aging and Independent Living.

Community & Economic Development

In FY 2020, staff had administration contracts for a number of projects. There were six projects completed during FY 2020 and four new loans closed in the Revolving Loan Fund program.

There are 18 on-going projects as of June 30, 2020. Staff has prepared 26 applications for potential new projects.

Two department staff members have retired this fiscal year. One has been brought back on a contract basis and a part-time staff member added.

FY20 RLF Write-Offs

There were no loans written-off during fiscal year ended June 30, 2020.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION**

June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,601,335	\$ 301,575	\$ 3,902,910
Accounts receivable			
Federal, state and local grants	1,451,885	-	1,451,885
Prepaid expenses	3,838	-	3,838
Total current assets	<u>5,057,058</u>	<u>301,575</u>	<u>5,358,633</u>
Other assets			
Restricted Cash	-	220,548	220,548
Notes receivable, current, restricted	-	264,519	264,519
RLF notes receivable, restricted	-	902,027	902,027
Property and equipment, net	-	1,083,973	1,083,973
Total other assets	<u>-</u>	<u>2,471,067</u>	<u>2,471,067</u>
Total assets	<u>5,057,058</u>	<u>2,772,642</u>	<u>7,829,700</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - Pension	1,316,720	-	1,316,720
Deferred outflows - OPEB	760,392	-	760,392
Total deferred outflows of resources	<u>2,077,112</u>	<u>-</u>	<u>2,077,112</u>
LIABILITIES			
Current liabilities			
Accounts payable	244,524	26,294	270,818
Accrued expenses	204,952	-	204,952
Current portion of notes payable	-	8,095	8,095
Total current liabilities	<u>449,476</u>	<u>34,389</u>	<u>483,865</u>
Long-term liabilities			
Net pension liability	7,858,232	-	7,858,232
Net OPEB liability	1,878,811	-	1,878,811
Accrued leave	266,217	-	266,217
Notes payable	-	447,683	447,683
Total long-term liabilities	<u>10,003,260</u>	<u>447,683</u>	<u>10,450,943</u>
Total liabilities	<u>10,452,736</u>	<u>482,072</u>	<u>10,934,808</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	467,930	-	467,930
Deferred Inflows - OPEB	705,676	-	705,676
Total Deferred inflows of resources	<u>1,173,606</u>	<u>-</u>	<u>1,173,606</u>
NET POSITION			
Net investment in capital assets	-	624,932	624,932
Restricted	-	1,372,158	1,372,158
Unrestricted	<u>(4,492,172)</u>	<u>293,480</u>	<u>(4,198,692)</u>
Total net position	<u>\$ (4,492,172)</u>	<u>\$ 2,290,570</u>	<u>\$ (2,201,602)</u>

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

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

Function/Program			Program Revenues		Net (Expense) Revenue and Change in Net Position		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Government activities:							
WIOA	\$ 4,041,041	\$ 388,097	\$ -	\$ 4,429,138	\$ -	\$ -	\$ -
Aging	2,615,002	335,421	-	2,928,212	(22,211)	-	(22,211)
JFA	331,987	100,043	-	367,913	(64,117)	-	(64,117)
Transportation	188,180	53,615	-	172,078	(69,717)	-	(69,717)
PDS	610,108	157,928	-	720,761	(47,275)	-	(47,275)
Other and Internal	206,924	1,135	-	208,059	-	-	-
Local Unrestricted	<u>754,062</u>	<u>-</u>	<u>-</u>	<u>206,994</u>	<u>(547,068)</u>	<u>-</u>	<u>(547,068)</u>
Total Governmental Activities	8,747,304	1,036,239	-	9,033,155	(750,388)	-	(750,388)
Business Activities:							
Lake Cumberland							
Development Council	176,827	-	192,362	-	-	15,535	15,535
Title IX RLF	<u>16,629</u>	<u>2,609</u>	<u>35,225</u>	<u>-</u>	<u>-</u>	<u>15,987</u>	<u>15,987</u>
Total Business-type Activities	193,456	2,609	227,587	-	-	31,522	31,522
Total Primary Government	<u>\$ 8,940,760</u>	<u>\$ 1,038,848</u>	<u>\$ 227,587</u>	<u>\$ 9,033,155</u>	<u>\$ (750,388)</u>	<u>\$ 31,522</u>	<u>\$ (718,866)</u>
General Revenues:							
Interest Income					43,709	-	43,709
Total General Revenues					<u>43,709</u>	<u>-</u>	<u>43,709</u>
Change in Net Position					(706,679)	31,522	(675,157)
Net Position July 1, 2019					<u>(3,785,493)</u>	<u>2,259,048</u>	<u>(1,526,445)</u>
Net Position June 30, 2020					<u>\$ (4,492,172)</u>	<u>\$ 2,290,570</u>	<u>\$ (2,201,602)</u>

The accompanying notes are an integral part of the financial statements.
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and cash equivalents	\$ 3,278,475	\$ 322,860	\$ 3,601,335
Accounts receivable:			
Federal and state contributions	297,598	1,154,287	1,451,885
Prepaid expenses	-	3,838	3,838
Due from special revenue	<u>1,031,509</u>	<u>-</u>	<u>1,031,509</u>
	<u>\$ 4,607,582</u>	<u>\$ 1,480,985</u>	<u>\$ 6,088,567</u>
LIABILITIES:			
Accounts payable:			
Vendors	\$ -	\$ 244,524	\$ 244,524
Accrued Payroll	-	204,952	204,952
Due to general fund	<u>-</u>	<u>1,031,509</u>	<u>1,031,509</u>
Total liabilities	<u>-</u>	<u>1,480,985</u>	<u>1,480,985</u>
Fund Balance:			
Unassigned	<u>4,607,582</u>	<u>-</u>	<u>4,607,582</u>
Total fund balance	<u>4,607,582</u>	<u>-</u>	<u>4,607,582</u>
Total liabilities and fund balance	<u>\$ 4,607,582</u>	<u>\$ 1,480,985</u>	<u>\$ 6,088,567</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
For the Year Ended June 30, 2020**

Total fund balance - Governmental funds	\$	4,607,582
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore are not reported in the funds.		2,077,112
Deferred inflows of resources related to pensions and OPEB are applicable to future periods and, therefore are not reported in the funds.		(1,173,606)
Long term liabilities are not due and payable in the current period and therefore are not reported in the government funds.		
Net pension liabilities		(7,858,232)
Net OPEB liabilities		(1,878,811)
Certain liabilities, including accrued leave, are not reported in this fund financial statement because it is not due and payable in the current period, but it is presented in the statement of net position.		<u>(266,217)</u>
Net position end of year - Governmental activities	\$	<u>(4,492,172)</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u>
Revenues:			
Federal and state grants	\$ -	\$ 7,972,989	\$ 7,972,989
PDS and Veteran's Program Administration	720,761	-	720,761
Other	<u>206,994</u>	<u>132,411</u>	<u>339,405</u>
Total Revenues	<u>927,755</u>	<u>8,105,400</u>	<u>9,033,155</u>
Expenditures:			
Current programs:			
JFA	-	331,987	331,987
Aging	-	2,615,002	2,615,002
Transportation	-	188,180	188,180
WIOA	-	4,041,041	4,041,041
PDS	610,108	-	610,108
Other	-	206,924	206,924
Internal	38,335	-	38,335
Allocation of indirect costs	<u>157,928</u>	<u>878,311</u>	<u>1,036,239</u>
Total Expenditures	806,371	8,261,445	9,067,816
Excess of Revenues over (under) Expenditures	121,384	(156,045)	(34,661)
Other financing sources:			
Interest Income	43,709	-	43,709
Operating transfers in (out)	<u>(156,045)</u>	<u>156,045</u>	<u>-</u>
Total other financing sources (uses)	<u>(112,336)</u>	<u>156,045</u>	<u>43,709</u>
Excess of revenues and other sources over (under) expenditures	9,048	-	9,048
Fund balance, July 1, 2019	<u>4,598,534</u>	<u>-</u>	<u>4,598,534</u>
Fund balance, June 30, 2020	<u>\$ 4,607,582</u>	<u>\$ -</u>	<u>\$ 4,607,582</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

Net change in fund balances - Governmental Funds	\$	9,048
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Governmental funds report CERS contributions when paid.
However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions and OPEB.

CERS expense - pension and OPEB		(692,733)
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses such as accrued leave are recognized in the statement of activities when they are incurred.

		<u>(22,994)</u>
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Change in net position of Governmental Activities	\$	<u>(706,679)</u>
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020**

	<u>RLF</u>	<u>Lake Cumberland Development Council</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ -	\$ 301,575	\$ 301,575
Total current assets	<u>-</u>	<u>301,575</u>	<u>301,575</u>
Other assets			
Cash, restricted	220,548	-	220,548
Notes Receivable, current- restricted	264,519	-	264,519
Notes receivable, restricted	902,027	-	902,027
Property and Equipment, net	<u>-</u>	<u>1,083,973</u>	<u>1,083,973</u>
Total assets	<u>\$ 1,387,094</u>	<u>\$ 1,385,548</u>	<u>\$ 2,772,642</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 14,936	\$ 11,358	\$ 26,294
Current portion of notes payable	<u>-</u>	<u>8,095</u>	<u>8,095</u>
Total current liabilities	<u>14,936</u>	<u>19,453</u>	<u>34,389</u>
Long-term liabilities			
Notes payable	<u>-</u>	<u>447,683</u>	<u>447,683</u>
Total long-term liabilities	<u>-</u>	<u>447,683</u>	<u>447,683</u>
Total liabilities	<u>14,936</u>	<u>467,136</u>	<u>482,072</u>
NET POSITION			
Net investment in capital assets	-	624,932	624,932
Restricted	1,372,158	-	1,372,158
Unrestricted	<u>-</u>	<u>293,480</u>	<u>293,480</u>
Total net position	<u>\$ 1,372,158</u>	<u>\$ 918,412</u>	<u>\$ 2,290,570</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020**

	<u>RLF</u>	<u>Lake Cumberland Development Council</u>	<u>Total</u>
REVENUES			
Building and equipment rentals and other	\$ -	\$ 168,402	\$ 168,402
Program Income	<u>34,773</u>	<u>-</u>	<u>34,773</u>
 Total operating Revenue	 <u>34,773</u>	 <u>168,402</u>	 <u>203,175</u>
EXPENSES			
Salaries	7,831	-	7,831
Fringe benefits	4,497	-	4,497
Depreciation	-	73,714	73,714
Other	4,301	82,835	87,136
Indirect costs	<u>2,609</u>	<u>-</u>	<u>2,609</u>
 Total Operating Expenses	 <u>19,238</u>	 <u>156,549</u>	 <u>175,787</u>
 Operating Income	 15,535	 11,853	 27,388
NON-OPERATING REVENUES (EXPENSES)			
Gain/(Loss) on sale of equipment	-	23,548	23,548
Interest Expense	-	(20,280)	(20,280)
Interest income	<u>452</u>	<u>414</u>	<u>866</u>
 Total Non-Operating Revenues (Expenses)	 <u>452</u>	 <u>3,682</u>	 <u>4,134</u>
 Increase In Net Position	 15,987	 15,535	 31,522
 Net position, July 1, 2019	 <u>1,356,171</u>	 <u>902,877</u>	 <u>2,259,048</u>
 Net position, June 30, 2020	 <u>\$ 1,372,158</u>	 <u>\$ 918,412</u>	 <u>\$ 2,290,570</u>

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

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	RLF	Lake Cumberland Development Council	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Local cash received	\$ 34,773	\$ 168,402	\$ 203,175
Payments to suppliers	(4,302)	(77,805)	(82,107)
	30,471	90,597	121,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	-	(7,762)	(7,762)
Interest paid on long-term debt	-	(20,280)	(20,280)
Purchase of equipment	-	(26,834)	(26,834)
Gain on sale of Equipment	-	23,548	23,548
	-	(31,328)	(31,328)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest income	452	414	866
	452	414	866
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payments on notes receivable	91,253	-	91,253
Issuance of notes receivable	(470,607)	-	(470,607)
	(379,354)	-	(379,354)
Net increase (decrease) in cash and cash equivalents			
	(348,431)	59,683	(288,748)
Cash and cash equivalents - beginning of the year	568,979	241,892	810,871
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 220,548	\$ 301,575	\$ 522,123
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 15,535	\$ 11,853	\$ 27,388
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation and amortization	-	73,714	73,714
Increase (decrease) accounts and other payables	14,936	5,030	19,966
	30,471	90,597	121,068
Net cash provided by operating activities			
	\$ 30,471	\$ 90,597	\$ 121,068
Cash and cash equivalents consists of the following:			
Unrestricted cash	-	301,575	301,575
Restricted cash	220,548	-	220,548
	220,548	-	220,548
Total cash and cash equivalents	\$ 220,548	\$ 301,575	\$ 522,123

The accompanying notes are an integral part of the financial statements.
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**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - 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 that work 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.

Blended Component Unit – 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. The financial statements of the Lake Cumberland Development Council, Inc., are blended into these financial statements because the LCDC has the same board of directors as the District and its operations are for the exclusive benefit of the District. The LCDC is included as an enterprise fund on the District's financial statements.

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.

During the year ended June 30, 2020, the District's management completed an assessment of the District's operations and determined that a change in reporting model should be made to better conform to the reporting requirements established by GASB.

The following is a summary of the basis of presentation.

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the overall financial activities of the District. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Government-wide Statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the District-wide Statements and the statements for governmental funds

In the District-wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets are used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. District expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or government function is self-financing or draws from the general revenues of the District. The District allocates certain indirect costs to be included in the program expenses reported for individual functions and activities in the Government-wide Statement of Activities.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the changes in net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered resources available for use.
- b. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The Special Revenue Fund includes JFA (Joint Funding Agreement), WIOA (Workforce Innovation and Opportunity Act), Aging, Transportation and other grant programs. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major program of the District.

I. Proprietary Fund Types (Enterprise Fund)

- a. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis will be recovered primarily through user charges. Both the Revolving Loan Fund (RLF) and the blended component unit of the District, Lake Cumberland Area Development Council (LCDC), are enterprise funds of the District.

District-wide Financial Statements – Net Position

The District's Net Position is classified and displayed in three components:

- Invested in Capital Assets, Net of Related Debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors or laws or regulations, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Financial Statements

The District separates its fund balance into five categories under GASB 54.

- Non-spendable – Permanently non-spendable by decree of donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.
- Restricted – Legally restricted under federal or state law, bond authority, or grantor contract.
- Committed – Commitments passed by the Board of the District.
- Assigned – Funds assigned to management priority including issued encumbrances
- Unassigned – Funds available for future operations.

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.

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.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to first apply restricted assets. 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.

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

Deferred Revenue – Deferred 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.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

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, 2020 is \$266,217.

Rentals/Component Unit – The District leases its office facilities, equipment and automobiles from the LCDC (included within the accompanying financial statements). The District paid approximately \$180,000 in rentals for the year ended June 30, 2020. Total annual rentals are based upon operating expenses of the LCDC.

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.

Allowance of Loan Losses – The allowance for loan losses for the Revolving Loan Fund is maintained at a level, considered by management, to be adequate to provide for loan losses inherent in the loan portfolio. Management determines the adequacy of the allowance based upon a review of the individual debtor credit, recent loss experience and current economic conditions. The allowance is increased by the provision for loan losses and reduced by net charge-offs. There is no allowance for loan loss as of June 30, 2020. Any provision is recorded as other direct expense in the combining schedule of operations by program and supporting services.

2. CASH AND INVESTMENTS

At year end, the carrying amount of the District’s cash deposits and investments was \$4,123,458 and the bank balance was \$4,417,739. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank as of June 30, 2020. 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, 2020:

WIOA	\$	369,276
Aging		641,249
Other programs		<u>441,360</u>
Total grants receivable	\$	<u><u>1,451,885</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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	\$	1,825,229
Less; Loan Repayments		<u>(658,683)</u>
Total Outstanding Loans		1,166,546
Less: Allowance for Bad Debts		<u>-</u>
Net Loans Receivable	\$	<u><u>1,166,546</u></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. There are no write off's in the current year.

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 \$73,714, for the year ended June 30, 2020. The following summarizes the changes in fixed assets during the year ended:

Capital Assets	Balance				Balance
	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>		<u>June 30, 2020</u>
Land	\$ 70,000	\$ -	\$ -		\$ 70,000
Buildings	1,868,132	-	-		1,868,132
Equipment and Vehicles	<u>602,951</u>	<u>26,834</u>	<u>(43,979)</u>		<u>585,806</u>
Total	2,541,083	26,834	(43,979)		2,523,938
Accumulated depreciation	<u>(1,410,230)</u>	<u>(73,714)</u>	<u>43,979</u>		<u>(1,439,965)</u>
Net Capital Assets	<u>\$ 1,130,853</u>	<u>\$ (46,880)</u>	<u>\$ -</u>		<u>\$ 1,083,973</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

6. 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, 2020.

USDA Rural Development, annual principal and interest payments of \$28,060, bears interest at a rate of 4.38%, due 1/2049.	<u>\$ 455,778</u>
Total debt	455,778
Less: current portion	<u>(8,095)</u>
Total long-term debt	<u>\$ 447,683</u>

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 8,095	\$ 19,966	\$ 28,061
2022	8,449	19,611	28,060
2023	8,819	19,241	28,060
2024	9,205	18,855	28,060
2025	9,609	18,452	28,061
2026-2030	54,737	85,563	140,300
2031-2035	67,822	72,478	140,300
2036-2040	84,034	56,266	140,300
2041-2045	104,122	36,178	140,300
2046-2049	<u>100,886</u>	<u>11,292</u>	<u>112,178</u>
	<u>\$ 455,778</u>	<u>\$ 357,902</u>	<u>\$ 813,680</u>

The following is a change in notes payable for the year ended June 30, 2020:

	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>
	<u>June 30, 2019</u>			<u>June 30, 2020</u>
Notes Payable	<u>\$ 463,540</u>	<u>\$ -</u>	<u>\$ (7,762)</u>	<u>\$ 455,778</u>

7. 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 minimal profit.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. PENSION PLAN

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

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.

Contributions - Required contributions by the employee are set by statute and may be changed only by Kentucky General Assembly. Current rates are based on the employee tier:

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

Employer contribution rates for CERS are determined by the KRS Board without further legislative review. The methods used to determine the employer rates for KRS are specified in Kentucky Revised Statute 61.565. House Bill 362 was enacted in the 2018 legislative session that limits the annual increase in the CERS employer contribution over the prior fiscal year to 12% per year for the period July 1, 2018 to June 30, 2028, or until the full actuarial required contribution is met.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. PENSION PLAN, CONTINUED

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability for CERS of \$7,858,232.

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

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, 2019, the District's proportion was .111733%.

For the year ended June 30, 2020, the District recognized pension expense of \$1,309,868. At June 30, 2020, 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
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 200,644	\$ 33,202
Net difference between projected and actual earnings on pension plan investments	150,847	277,525
Changes in assumptions	341,780	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,282	157,203
District contributions subsequent to the measurement date	<u>553,167</u>	<u>-</u>
	<u>\$ 1,316,720</u>	<u>\$ 467,930</u>

The fiscal year 2020 CERS employer contributions 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, 2021. 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:

	Net Deferred Outflows (Inflows)
	<u> </u>
2021	\$ 195,360
2022	91,275
2023	<u>8,987</u>
Total	<u>\$ 295,622</u>

LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8. PENSION PLAN, CONTINUED

Actuarial assumptions: The actuarial assumptions are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00%
Investment rate of return, net of investment expense and inflation	6.25%

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018." The total pension liability as of June 30, 2019 was determined using these updated assumptions.

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 2014 through 2018, is outlined in a report dated April 18, 2019. 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. 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, 2020**

8. PENSION PLAN, CONCLUDED

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Asset Class	Target Allocation	Long-term expected real rate of return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
	100.00%	

Discount rate—the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

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	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 9,828,419	\$ 7,858,232	\$6,216,100

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 19.30% pension and 4.76% OPEB for the year ended June 30, 2020. For the year ended June 30, 2020 the District's total covered payroll was approximately \$2,872,000. The District contributed approximately \$689,600 in 2020 for both pension and OPEB and employees contributed approximately \$152,700 to the plan.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Kentucky Retirement Systems provides participants their proportionate share of the OPEB unfunded liability calculated by Gabriel, Roeder, Smith & Co (GRS) to be used in financial reports. KRS 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

Plan Description: The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

Benefits Provided: The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018." The total OPEB liability as of June 30, 2019 is determined using these updated assumptions.

Contributions: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund		Dollar Contribution for Fiscal Year 2019	
<u>Years of Service</u>	<u>Paid by Insurance Fund (%)</u>	For Member participation date on or after July 1, 2003	
20+ years	100.00%	<u>System</u>	(in whole dollars)
15-19 years	75.00%	KERS Non-hazardous	\$13.38
10-14 years	50.00%	KERS Hazardous	\$20.07
4-9 years	25.00%	CERS Non-hazardous	\$13.38
Less than 4 years	0.00%	CERS Hazardous	\$20.07
		SPRS	\$20.07

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED

Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (24 years as of June 30, 2019) and the actuarial assumptions and methods adopted by the Board of Trustees. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

At June 30, 2020, the District reported a liability of \$1,878,811 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the District's proportionate share was .111704%.

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of \$72,461 for the year ended June 30, 2020 and reported deferred inflows and deferred outflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 540,236
Changes of assumptions	555,958	3,718
Net difference between projected and actual earnings on Plan investments	12,375	95,824
Change in proportion and differences between employer contribution and proportionate share of plan contribution	15,289	65,898
District contributions subsequent to the measurement date	176,770	-
	\$ 760,392	\$ 705,676

The deferred outflows resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

Year Ended	Net Deferred Outflows/(Inflows)
June 30, 2021	\$ (26,645)
June 30, 2022	(113)
June 30, 2023	(50,909)
June 30, 2024	(38,653)
Thereafter	(5,734)
	\$ (122,054)

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED

Actuarial Assumptions: The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019 using generally accepted actuarial principles. The KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2018.

Assumed investment return	6.25%
Inflation factor	2.30%
Payroll growth	2.00%

Mortality rates were based on the RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females).

The long-term expected rate of return was determined by using a building-block method in which the best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-term expected real rate of return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Y	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
	100.00%	

Discount Rate: The single discount rate of 5.68% for Non-hazardous was used to measure the total OPEB liability as of June 30, 2019. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 28, 2019. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	CERS--	<u>Non-Hazardous</u>
1% Decrease (4.68%)	\$	2,516,834
Current Discount Rate (5.68%)	\$	1,878,811
1% Increase (6.68%)	\$	1,353,123

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONCLUDED

Healthcare Trend Rate: The initial trend rate for participants under 65 years of age starts at 7.25% at January 1, 2019 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. For those over 65 years of age the trend rate starts at 5.10% at January 1, 2019 and gradually decreases to an ultimate trend rate of 4.05% over a period of 11 years. The following table presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	CERS--		<u>Non-Hazardous</u>
1% Decrease	\$		1,397,281
Current Healthcare Cost Trend Rate	\$		1,878,811
1% Increase	\$		2,462,723

OPEB Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued KRS financial statements.

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, 2020 the District received \$720,761 from the PDS program for administration and the District was owed \$287,299 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 39. The District is in conformity with 2 CFR Part 225.

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

13. TRANSFER OF FUNDS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other finances sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Payments made from the general fund checking account, which may or may not have the liability for the expenditure, may cause a receivable in the general fund and a payable from the fund having the liability to pay the expenditure at such time. All interfund receivables and payables have been eliminated on the District-wide Statement of Net Position. The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Operations	\$ 156,045

At June 30, 2020, interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue	\$ 1,031,509

14. RISKS AND UNCERTAINTIES

March, 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. Consequently, governments have encouraged self-isolation to curtail the spread. Many industries are experiencing disruptions and the District's operations could be adversely affected, but the impact is not known as this point. Accordingly, management believes that a material impact on the District's financial position and results of future operations is reasonably possible.

15. SUBSEQUENT EVENTS

The District has evaluated and considered the need to recognize or disclose subsequent events through November 11, 2020, which represents the date that these financial statements were available to be issued.

On August 11, 2020, the District received \$538,855 from First National Bank under the Small Business Administration's Paycheck Protection Program. Pursuant to the program, all or a portion of the loan may be forgiven if the borrower uses the proceeds of the loan for its payroll costs and other expenses in accordance with the requirements of the program.

16. BEGINNING FUND BALANCE

As described in Note 1 to the financial statements, the District changed reporting models during the year ended June 30, 2020. This change in reporting model requires the use of fund financial statements that are presented on the modified accrual basis of accounting. The following table reconciles the District's net position as of June 30, 2019 to the beginning governmental funds – fund balance:

Total net position, as of June 30, 2019	\$ (1,526,445)
Less: business-type activities fund balance as of June 30, 2019	(2,259,048)
Add: long-term liabilities and related pension and OPEB deferred inflows/outflows	8,140,804
Add: long-term liabilities accrued leave	<u>243,223</u>
Beginning fund balance - governmental funds	<u><u>\$ 4,598,534</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended, June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
PDS and Veteran's Program Administration	\$ 675,000	\$ 675,000	\$ 720,761	\$ 45,761
Other	209,000	209,000	206,994	(2,006)
Total revenues	<u>884,000</u>	<u>884,000</u>	<u>927,755</u>	<u>43,755</u>
Expenditures:				
Salaries	387,923	387,923	422,841	(34,918)
Fringe benefits	233,479	233,479	245,757	(12,278)
Subcontracts and direct expenses	51,891	51,891	103,465	(51,574)
Other	30,045	30,045	34,308	(4,263)
Total expenditures	<u>703,338</u>	<u>703,338</u>	<u>806,371</u>	<u>(103,033)</u>
Excess (deficit) of revenues over expenditures	<u>180,662</u>	<u>180,662</u>	<u>121,384</u>	<u>(59,278)</u>
Other financing sources (uses):				
Interest income	-	-	43,709	43,709
Operating transfers in	-	-	-	-
Operating transfers out	(180,662)	(180,662)	(156,045)	24,617
Total other financing sources (uses)	<u>(180,662)</u>	<u>(180,662)</u>	<u>(112,336)</u>	<u>68,326</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>9,048</u>	<u>9,048</u>
Fund balance, July 1, 2019	<u>4,598,534</u>	<u>4,598,534</u>	<u>4,598,534</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 4,598,534</u>	<u>\$ 4,598,534</u>	<u>\$ 4,607,582</u>	<u>\$ 9,048</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE
For the Year Ended, June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal and State Grants	\$ 8,172,319	\$ 7,551,035	\$7,972,989	\$ 421,954
Other	<u>130,000</u>	<u>130,000</u>	<u>132,411</u>	<u>2,411</u>
Total revenues	<u>8,302,319</u>	<u>7,681,035</u>	<u>8,105,400</u>	<u>424,365</u>
Expenditures:				
Salaries	2,581,420	2,581,420	2,405,333	176,087
Fringe benefits	1,399,660	1,399,660	920,928	478,732
Subcontracts and direct expenses	4,416,946	3,795,662	4,892,736	(1,097,074)
Other	<u>84,955</u>	<u>84,955</u>	<u>42,448</u>	<u>42,507</u>
Total expenditures	<u>8,482,981</u>	<u>7,861,697</u>	<u>8,261,445</u>	<u>(399,748)</u>
Excess (deficit) of revenues over expenditures	<u>(180,662)</u>	<u>(180,662)</u>	<u>(156,045)</u>	<u>24,617</u>
Other financing sources (uses):				
Operating transfers in	180,662	180,662	156,045	(24,617)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>180,662</u>	<u>180,662</u>	<u>156,045</u>	<u>(24,617)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, July 1, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2020	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF THE DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CERS
June 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's portion of the net pension liability	0.111733%	0.110230%	0.115167%	0.12484%	0.12600%	0.12917%
District's proportionate share of net pension liability	\$ 7,858,232	\$ 6,713,343	\$ 6,741,079	\$ 6,146,609	\$ 5,417,490	\$ 4,190,368
District's covered-employee payroll	\$ 2,872,000	\$ 2,851,000	\$ 2,754,895	\$ 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	273.62%	235.47%	244.69%	217.52%	182.51%	142.47%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	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 PENSION CONTRIBUTIONS – CERS
June 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 553,167	\$ 462,346	\$ 398,909	\$ 527,853	\$ 506,399	\$ 519,703
Contributions in relation to the contractually required contribution	<u>(553,167)</u>	<u>(462,346)</u>	<u>(398,909)</u>	<u>(527,853)</u>	<u>(506,399)</u>	<u>(519,703)</u>
Difference in actual and required contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 2,872,000	 \$ 2,851,000	 \$ 2,754,895	 \$ 2,825,763	 \$ 2,968,342	 \$ 2,941,160
Contributions as a percentage of covered-employee payroll	19.26%	16.22%	14.48%	18.68%	17.06%	17.67%

**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 THE DISTRICT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – CERS
June 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's portion of the net OPEB liability	0.111704%	0.110225%	0.115167%
District's proportionate share of net OPEB liability	\$ 1,878,811	\$ 1,957,023	\$ 2,315,251
District's covered-employee payroll	\$ 2,872,000	\$ 2,851,000	\$ 2,754,895
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	65.42%	68.64%	84.04%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%

** 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 OPEB CONTRIBUTIONS – CERS
June 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 136,429	\$ 149,935	\$ 129,480
Contributions in relation to the contractually required contribution	<u>(136,429)</u>	<u>(149,935)</u>	<u>(129,480)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 2,872,000	 \$ 2,851,000	 \$ 2,754,895
Contributions as a percentage of covered- employee payroll	4.75%	5.26%	4.70%

**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
SCHEDULE OF SHARED/INDIRECT COSTS
For the Year Ended June 30, 2020**

Cost Categories:

Salaries	\$ 413,298
Personnel burden	166,057
Leave time	33,605
Travel, staff and board	14,736
Equipment maintenance and rent	35,071
Building rentals	125,672
Registration and meeting expense	11,718
Contractual services, audit and legal	45,684
Utilities and telephone	48,536
Janitorial expenses	23,214
Auto expense	55,135
Dues and memberships	7,129
Printing and publications	606
Supplies	21,933
Insurance	29,906
Postage	5,951
Other	<u>597</u>
	<u>\$ 1,038,848</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
COST ALLOCATION POLICY
For the Year Ended June 30, 2020**

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
For the Year Ended June 30, 2020**

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.

**Shown below is LCADD's indirect cost allocation percentage for the year ended
June 30, 2020**

A. General and Administrative - Shared Costs:

Salaries	\$	413,298	
Personnel burden		166,057	
Leave time		33,605	
Travel, staff and board		14,736	
Equipment maintenance and rent		35,071	
Building rentals		125,672	
Registration and meeting expense		11,718	
Contractual services, audit and legal		45,684	
Utilities and telephone		48,536	
Janitorial expenses		23,214	
Auto expense		55,135	
Dues and memberships		7,129	
Printing and publications		606	
Supplies		21,933	
Insurance		29,906	
Postage		5,951	
Other		597	
Total Shared Costs			\$ 1,038,848

B. Direct Salaries and Benefits:

Salaries	\$	2,828,174	
Benefits		1,166,685	
Total Direct Salaries and Benefits			3,994,859

C. Total Shared Costs 1,038,848

FY 2020 Shared Costs Rate (C/ B) 26.00%

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
For the Year Ended June 30, 2020**

	<u>JFA</u>	<u>WIOA</u>	<u>AGING</u>	<u>PDS</u>	<u>PLAN/TRANS</u>	<u>Other</u>	<u>Title IX RLF</u>	<u>LCDC</u>	<u>Local</u>	<u>G & A Expense</u>	<u>Total</u>
<u>Revenues</u>											
Federal Grants	\$ 206,422	\$ 4,429,138	\$ 1,616,180	\$ -	\$ -	\$ 208,059	\$ -	\$ -	\$ -	\$ -	\$ 6,459,799
State Grants	161,491	-	1,179,621	-	172,078	-	-	-	-	-	1,513,190
Local	-	-	50,134	720,761	-	-	-	191,948	206,994	-	1,169,837
Interest on Savings	-	-	-	-	-	-	452	414	43,709	-	44,575
Interest on Loans	-	-	-	-	-	-	26,187	-	-	-	26,187
In-Kind	-	-	82,277	-	-	-	-	-	-	-	82,277
Program Income	-	-	-	-	-	-	8,586	-	-	-	8,586
Total Revenues	<u>367,913</u>	<u>4,429,138</u>	<u>2,928,212</u>	<u>720,761</u>	<u>172,078</u>	<u>208,059</u>	<u>35,225</u>	<u>192,362</u>	<u>250,703</u>	<u>-</u>	<u>\$ 9,304,451</u>
<u>Expenses</u>											
Salaries	216,162	889,460	802,828	369,480	124,552	4,564	7,831	-	-	413,298	2,828,175
Personnel Burden	91,424	365,186	327,660	166,793	44,103	964	4,497	-	692,733	166,057	1,859,417
Leave Time	17,476	65,743	42,723	21,247	10,194	1,037	-	-	-	33,605	192,025
Subgrantees & Contracts	-	2,518,624	383,987	-	-	200,178	-	-	-	-	3,102,789
Travel staff	2,483	23,208	13,165	13,246	1,181	-	-	-	6,126	14,736	74,145
Other Direct Expenses	4,442	178,820	962,362	39,342	8,150	181	4,301	176,827	55,203	411,152	1,840,780
In-Kind	-	-	82,277	-	-	-	-	-	-	-	82,277
Total Shared Costs	100,043	388,097	335,421	157,928	53,615	1,135	2,609	-	-	(1,038,848)	-
Total Expenditures	<u>432,030</u>	<u>4,429,138</u>	<u>2,950,423</u>	<u>768,036</u>	<u>241,795</u>	<u>208,059</u>	<u>19,238</u>	<u>176,827</u>	<u>754,062</u>	<u>-</u>	<u>9,979,608</u>
Excess Revenue Over (Under)											
Expenditures	\$ (64,117)	\$ -	\$ (22,211)	\$ (47,275)	\$ (69,717)	\$ -	\$ 15,987	\$ 15,535	\$ (503,359)	\$ -	\$ (675,157)

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
JOINT FUNDING ADMINISTRATION PROGRAMS
For the Year Ended June 30, 2020**

	<u>BUDGET</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>TOTAL</u>	<u>ACTUAL FAVORABLE (UNFAVORABLE)</u>
Revenues:					
Federal	\$ 206,422	\$ 206,422	\$ -	\$ 206,422	\$ -
State	161,491	161,491	-	161,491	-
Local funds	-	-	-	-	-
	<u>367,913</u>	<u>367,913</u>	<u>-</u>	<u>367,913</u>	<u>-</u>
Expenditures:					
Community and Economic Development EDA (120)	83,332	86,462	18,024	104,486	(21,154)
Community and Economic Development (125)	46,792	33,734	15,450	49,184	(2,392)
Community and Economic Development (130)	<u>237,789</u>	<u>211,791</u>	<u>66,569</u>	<u>278,360</u>	<u>(40,571)</u>
	<u>367,913</u>	<u>331,987</u>	<u>100,043</u>	<u>432,030</u>	<u>(64,117)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 35,926</u>	<u>\$ (100,043)</u>	<u>\$ (64,117)</u>	<u>\$ (64,117)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF AGING OPERATIONS BY PROGRAM
For the Year Ended June 30, 2020**

	<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>
Revenues							
Federal Grants	\$ 28,096	\$ 321,529	\$ 13,407	\$ 33,310	\$ 361,097	\$ 19,142	\$ 509,957
State Grants	13,111	44,000	-	12,563	52,000	6,381	19,830
Local	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Interest on Loans	-	-	-	-	-	-	-
In-Kind	-	-	-	-	12,000	-	14,200
Program Income	-	2,813	-	-	39,503	-	6,432
Total Revenues	<u>41,207</u>	<u>368,342</u>	<u>13,407</u>	<u>45,873</u>	<u>464,600</u>	<u>25,523</u>	<u>550,419</u>
Expenses							
Salaries	22,698	122,579	6,539	25,785	110,868	14,857	124,607
Personnel Burden	7,663	50,034	3,191	7,886	47,928	4,417	49,316
Leave Time	1,864	6,243	499	1,581	4,709	811	4,311
Contracts	-	47,921	-	-	-	-	-
Travel Staff	1,125	498	-	-	52	-	143
Other Direct Expenses	1,189	93,630	-	32	235,106	31	317,101
In-Kind	-	-	-	-	12,000	-	14,200
Shared Costs	7,170	47,946	3,308	10,589	53,936	6,003	40,761
Total Expenditures	<u>41,709</u>	<u>368,851</u>	<u>13,537</u>	<u>45,873</u>	<u>464,599</u>	<u>26,119</u>	<u>550,439</u>
Revenue Over (Under) Expenditures	<u>\$ (502)</u>	<u>\$ (509)</u>	<u>\$ (130)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (596)</u>	<u>\$ (20)</u>

<u>III-D</u> <u>Preventive</u> <u>Health</u>	<u>III-E</u> <u>Caregiver</u> <u>Admin</u>	<u>III-E</u> <u>Caregiver</u>	<u>Homecare</u> <u>Admin</u>	<u>Homecare</u> <u>Case</u> <u>Management</u>	<u>Homecare HD</u> <u>Meals</u>	<u>Total</u>
\$ 17,183	\$ -	\$ 160,797	\$ -	\$ -	\$ -	\$ 1,464,518
10,481	-	-	91,178	554,086	266,516	1,070,146
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	39,828	-	-	15,000	81,028
-	-	-	-	-	1,386	50,134
<u>27,664</u>	<u>-</u>	<u>200,625</u>	<u>91,178</u>	<u>554,086</u>	<u>282,902</u>	<u>2,665,826</u>
10,615	-	47,395	49,448	103,854	87,529	726,774
4,730	-	21,616	14,833	46,629	34,903	293,146
443	-	3,724	4,521	5,377	3,058	37,141
-	-	-	-	336,066	-	383,987
8	-	1,229	1,136	4,598	150	8,939
5,287	-	79,347	1,227	9,188	103,769	845,907
-	-	39,828	-	-	15,000	81,028
<u>6,581</u>	<u>-</u>	<u>21,675</u>	<u>21,367</u>	<u>48,374</u>	<u>39,409</u>	<u>307,119</u>
<u>27,664</u>	<u>-</u>	<u>214,814</u>	<u>92,532</u>	<u>554,086</u>	<u>283,818</u>	<u>2,684,041</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,189)</u>	<u>\$ (1,354)</u>	<u>\$ -</u>	<u>\$ (916)</u>	<u>\$ (18,215)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF AGING OPERATIONS BY PROGRAM CONTINUED
For the Year Ended June 30, 2020**

	<u>VII</u> <u>Ombudsman</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>
<u>Revenues</u>									
Federal Grants	\$ 7,186	\$ 3,653	\$ 69,336	\$ -	\$ -	\$ 2,759	\$ 24,832	\$ -	\$ 6,588
State Grants	400	600	-	-	63,330	-	-	38,557	6,588
Local	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Interest on Loans	-	-	-	-	-	-	-	-	-
In-Kind	1,017	232	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-	-
Total Revenues	<u>8,603</u>	<u>4,485</u>	<u>69,336</u>	<u>-</u>	<u>63,330</u>	<u>2,759</u>	<u>24,832</u>	<u>38,557</u>	<u>13,176</u>
<u>Expenses</u>									
Salaries	3,609	1,967	-	-	12,531	1,366	11,676	16,923	9,259
Personnel Burden	1,774	972	-	-	5,679	571	5,456	8,126	3,553
Leave Time	257	109	-	-	799	148	847	1,298	800
Contracts	-	-	-	-	-	-	-	-	-
Travel Staff	-	-	-	-	189	-	788	2,838	-
Other Direct Expenses	-	-	69,336	-	39,406	-	1,971	2,705	-
In-Kind	1,017	232	-	-	-	-	-	-	-
Total Shared Costs	1,946	1,205	-	-	4,876	692	4,279	6,667	2,559
Total Expenditures	<u>8,603</u>	<u>4,485</u>	<u>69,336</u>	<u>-</u>	<u>63,480</u>	<u>2,777</u>	<u>25,017</u>	<u>38,557</u>	<u>16,171</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150)</u>	<u>\$ (18)</u>	<u>\$ (185)</u>	<u>\$ -</u>	<u>\$ (2,995)</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>
\$ -	\$ 1,000	\$ -	\$ 4,261	\$ 11,371	\$ 20,676	\$ 151,662
-	-	-	-	-	-	109,475
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,249
-	-	-	-	-	-	-
-	<u>1,000</u>	-	<u>4,261</u>	<u>11,371</u>	<u>20,676</u>	<u>262,386</u>
-	29	-	2,632	5,864	10,198	76,054
-	8	-	786	2,873	4,716	34,514
-	5	-	151	534	634	5,582
-	-	-	-	-	-	-
-	-	-	-	-	411	4,226
-	937	-	-	-	2,100	116,455
-	-	-	-	-	-	1,249
-	<u>23</u>	-	<u>692</u>	<u>2,379</u>	<u>2,984</u>	<u>28,302</u>
-	<u>1,002</u>	-	<u>4,261</u>	<u>11,650</u>	<u>21,043</u>	<u>266,382</u>
<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (279)</u>	<u>\$ (367)</u>	<u>\$ (3,996)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS
OTHER GRANTS AND CONTRACTS
For the Year Ended June 30, 2020**

	<u>Transportation Planning</u>	<u>Transportation Road Updates</u>	<u>RLF</u>	<u>KIA</u>	<u>US EPA Brownsfield</u>	<u>Total</u>
<u>Revenues</u>						
Federal Grants	\$ -	\$ -	\$ -	\$ -	\$ 208,059	\$ 208,059
State Grants	78,065	18,013	-	76,000	-	172,078
Local	-	-	-	-	-	-
Other	-	-	452	-	-	452
Interest on Loans	-	-	26,187	-	-	26,187
In-Kind	-	-	-	-	-	-
Program Income	-	-	8,586	-	-	8,586
Total Revenues	<u>78,065</u>	<u>18,013</u>	<u>35,225</u>	<u>76,000</u>	<u>208,059</u>	<u>415,362</u>
<u>Expenses</u>						
Salaries and wages	60,978	9,799	7,831	53,775	4,564	136,947
Personnel Burden	19,374	3,657	3,838	21,071	1,627	49,567
Leave Time	5,473	891	659	3,830	374	11,227
Contracts	-	-	-	-	200,178	200,178
Travel - Staff	1,042	-	-	140	-	1,182
Other Direct Expenses	3,032	36	4,301	5,082	181	12,632
Total Shared Costs	<u>24,997</u>	<u>3,937</u>	<u>2,609</u>	<u>24,681</u>	<u>1,135</u>	<u>57,359</u>
Total Expenses	<u>114,896</u>	<u>18,320</u>	<u>19,238</u>	<u>108,579</u>	<u>208,059</u>	<u>469,092</u>
Revenue Over (Under) Expenses	<u>\$ (36,831)</u>	<u>\$ (307)</u>	<u>\$ 15,987</u>	<u>\$(32,579)</u>	<u>\$ -</u>	<u>\$ (53,730)</u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY GRANT, WIOA
For the Year Ended June 30, 2020**

WIA Revenue by Grant	CFDA		
WIA-Youth:			
274SRA8 - SWR Funds	17.259	\$	150,000
274YT19 -PY 18	17.259		481,681
274YT20 -PY 19	17.259		643,343
WIA-Adult:			
270AD19- PY-18	17.258		2,896
270AD20- PY-19	17.258		169,906
273AD19 - FY 19	17.258		288,880
273AD20 - FY 20	17.258		615,321
WIA-Dislocated Workers:			
271SR18 - SWR Funds	17.278		27,482
271CM18 - FY-18	17.278		75,000
271DW19 - FY-19	17.278		638,640
272DW19 - PY18	17.278		14,035
271DW20 - FY-20	17.278		398,682
272DW20 - PY19	17.278		124,310
WIA-Trade:			
205BE17	17.245		123,329
205BE18	17.245		264,736
			<hr/>
Total Revenue		\$	<u>4,018,241</u>
Expenditures:			
WIA-Youth:			
274SRA8 - SWR Funds	17.259		150,000
274YT19 -PY 18	17.259		481,681
274YT20 -PY 19	17.259		643,343
WIA-Adult:			
270AD19- PY-18	17.258		2,896
270AD20- PY-19	17.258		169,906
273AD19 - FY 19	17.258		288,880
273AD20 - FY 20	17.258		615,321
WIA-Dislocated Workers:			
271SR18 - SWR Funds	17.260		27,482
271CM18 - FY-18	17.278		75,000
271DW19 - FY-19	17.278		638,640
272DW19 - PY18	17.278		14,035
271DW20 - FY-20	17.278		398,682
272DW20 - PY19	17.278		124,310
WIA-Trade:			
205BE17	17.245		123,329
205BE18	17.245		264,736
			<hr/>
Total Expenditures		\$	<u>4,018,241</u>
Revenues Over (Under) Expenditures		\$	<u><u>-</u></u>

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020**

U.S. Dept of Health and Human Services	Pass-Through Grantor's Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
Passed Through KY Cabinet for Health and Family Services				
Programs for Aging Title III:				
Title III - B Administration	09-11891	93.044		\$ 28,097
Part B: Supportive Services	09-11891	93.044	45,421	334,936
Part C1: Nutrition Services	09-11891	93.045		394,407
Part C2: Nutrition Services	09-11891	93.045		529,099
Nutrition Services Incentive Program (USDA)	09-11891	93.053	-	69,336
Total Aging Cluster			45,421	1,355,875
Part D: Disease Prevention	09-11891	93.043		17,182
Part E: National Family Caregiver Support	09-11891	93.052		160,797
Specialty Contracts:				
Center for Medicare & Medicaid Services (SHIP)	09-11891	93.324		27,591
Aging & Disability Resource Center (ADRC)	09-11891	93.778		6,588
FAST		93.069		1,000
MIPPA - AAA		93.071		11,371
MIPPA - SHIP		93.071		20,676
MIPPA - ADRC		93.071		4,261
Programs for Aging Title VII:				
Ombudsman	09-11891	93.042		7,187
Elder Abuse	09-11891	93.041	-	3,653
Total U.S. Department of Health and Human Services			45,421	1,616,181
US Department of Commerce:				
Direct Program				
Revolving Loan Fund (1)		11.300		956,306
Passed through Department for Local Government				
SOAR		11.307		
Appalachian Regional Commission (ARC)		23.009		116,360
Economic Development Technical Assistance (JFA-EDA)		11.302		66,667
JFA - Technical Assistance Program (JFA-CDBG)		11.302		
CDBG - Technical Assistance Program (JFA-CDBG)		14.218		23,396
				206,423
Total DOC, Passed Through Department for Local Government				1,162,729
U. S. Environmental Protection Agency				
Brownsfield Assessment and Cleanup Agreement		66.818		208,056

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONCLUDED
For the Year Ended June 30, 2020**

**U.S. Department of Labor, Passed Through Kentucky Cabinet for
Workforce Services: WIOA**

WIOA-Youth:			
274YT19 - PY 18	M-04127521	17.259	481,681
274YT20 - PY 19	M-04127521	17.259	643,343
274SRA8	M-04127521	17.259	150,000
WIOA-Adult:			
270AD19- PY-18	M-04127521	17.258	2,896
270AD20- PY-19	M-04127521	17.258	169,906
273AD19 - FY 19	M-04127521	17.258	288,880
273AD20 - FY 20	M-04127521	17.258	615,321
WIOA-Dislocated Workers:			
272DW19 - PY-18	M-04127521	17.278	14,035
272DW20 - PY19	M-04127521	17.278	124,310
271SR18 - SWR Funds	M-04127521	17.260	27,482
271CM18 - RRAA Funds	M-04127521	17.278	75,000
271DW19 - FY-19	M-04127521	17.278	638,640
271DW20 - FY-20	M-04127521	17.278	398,682
			3,630,176

**U.S. Department of Labor
Passed Through Lincoln Trail Area Development District, WIOA**

WIOA-Adult			
	LTADD-27319	17.258	51,354
WIOA-Youth			
	LTADD-27420	17.259	37,812
	LTADD-27419	17.259	77,639
	LTADD-274R9	17.259	242
	LTADD-274SRA8	17.259	7,200
WIOA-Dislocated Workers			
	LTADD-27119	17.278	202,747
	LTADD-27120	17.278	33,903
			410,897
Total WIOA Cluster			4,041,073

**U.S. Department of Labor, Passed Through Kentucky Cabinet for
Workforce Services: WIOA**

205BE17	M-04127521	17.245	123,329
205BE18	M-04127521	17.245	264,736
			264,736

Total WIOA Federal Financial Assistance			4,429,138
Total Federal Financial Assistance			\$ 7,416,104

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020**

RLF Grant Calculation of Federal Amount:

Balance of loans outstanding, June 30, 2020	\$	1,166,546
Cash Balance at June 30, 2020		220,548
Administrative Expenses		19,238
		1,406,332
Federal Share of RLF		68%
	\$	956,306

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, 2020. 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, 2020**

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? ___X___ Yes _____ No

Identification of Major Programs:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
Department of Health and Human Services	
Aging Cluster	93.004, 93.045, 93.053
US Department of Commerce	
Revolving Loan Fund	11.300

**LAKE CUMBERLAND AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONCLUDED
For the Year Ended June 30, 2020**

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



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, 2020, 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 11, 2020.

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 11, 2020



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, 2020. 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, 2020.

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 11, 2020

