

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2016

(With Independent Auditor's Report Thereon)

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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Independent Auditor's Report

To the Board of Directors
Lincoln Trail Area Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LTADD'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 respective financial position of the governmental activities and each major fund of the Lincoln Trail Area Development District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and select pension information on pages 3 through 8, 31 and 32 through 34 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 Lincoln Trail Area Development District's basic financial statements. The schedule of shared costs and the combining schedule of operations by program and supporting services are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of shared costs, the combining schedule of operations by program and supporting services, 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 schedule of shared costs, the combining schedule of operations by program and supporting services, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of LTADD'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 LTADD's internal control over financial reporting and compliance.



Certified Public Accountants

December 21, 2016

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

As management of the Lincoln Trail Area Development District (LTADD), we present readers of the LTADD's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's basic financial statements, which begin on page 9.

NATURE OF THE ORGANIZATION AND REPORTING ENTITY

LTADD was created in 1968 through articles of incorporation and Kentucky state law, for the purpose of economic development, planning and public administration services in an eight county region in North Central Kentucky. The agency is a voluntary association of local governmental units funded via contributions from member counties and cities, federal and state grant awards, and contractual arrangements for services.

In evaluating LTADD as a reporting entity, management has addressed its relationship with the local governments and concluded that, in accordance with the criteria set forth in Sections 2100 and 2600 of the Governmental Accounting Standards Codification; LTADD is a separate reporting entity.

FINANCIAL HIGHLIGHTS

The adjusted beginning net position for LTADD was (\$255,052). The ending net position for the LTADD was (\$586,731). LTADD's total net position decreased by \$331,679, from this period last year. The significant reduction in net position is due to an increase in net pension liability of \$763,979 over the prior year balance of \$2,275,000 bringing the current year balance to \$3,038,979, in the second year implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions". In the prior year, net position decreased by (\$1,942,097).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts (A) management's discussion and analysis (this section), (B) the basic financial statements, (C) required supplementary information, and (D) a supplementary information section. The basic financial statements include two kinds of statements that present different views of LTADD:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about LTADD's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of LTADD, reporting LTADD's operations in more detail than the government-wide statements, and reporting the short-term information only.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional information related to the financial statements.

Government-wide Financial Statements

The government-wide statements report information about LTADD as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received and paid.

The two government-wide statements report LTADD's net position and how they have changed. Net position – the result of LTADD's assets and deferred outflows, less liabilities and deferred inflows – is one way to measure LTADD's financial health.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2016

Fund Financial Statements

The fund financial statements provide more detailed information about LTADD's most significant funds – not LTADD as a whole. Funds are accounting devices that LTADD uses to keep track of specific sources of funding and spending for particular purposes.

LTADD has two kinds of funds:

- General Fund – This fund focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balance left at year-end that is available for spending. Consequently, the general fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance LTADD's programs.
- Special Revenue fund – Includes all grant programs and services operated by LTADD that are restricted for a special purpose.

FINANCIAL ANALYSIS OF LTADD AS A WHOLE

Table 1: Condensed Statements of Net Position

	2016	2015	Dollar Change	Percent Change
Assets				
Current Assets	\$2,481,540	\$2,545,488	-\$63,948	-2.51%
Revolving Loan Fund Receivables, net	339,086	330,766	8,320	2.52%
Capital Assets	122,974	67,283	55,691	82.77%
Total Assets	<u>2,943,600</u>	<u>2,943,537</u>	<u>63</u>	0.00%
Deferred Outflows of Resources	<u>521,029</u>	<u>214,320</u>	<u>306,709</u>	143.11%
Liabilities				
Current Liabilities	758,215	835,518	-77,303	-9.25%
Non-Current Liabilities	3,113,120	2,354,217	758,903	32.24%
Total Liabilities	<u>3,871,335</u>	<u>3,189,735</u>	<u>681,600</u>	21.37%
Deferred Inflows of Resources	<u>180,025</u>	<u>223,174</u>	<u>-43,149</u>	-19.33%
Net Position				
Invested in Capital Assets	122,974	67,283	55,691	82.77%
Restricted	396,298	377,295	19,003	5.04%
Unrestricted	-1,106,003	-699,630	-406,373	58.08%
Total Net Position	<u>-\$586,731</u>	<u>-\$255,052</u>	<u>-\$331,679</u>	130.00%

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2016

LTADD's net position increased approximately 130% for the year ended June 30, 2016. The FY16 ending ratio of current assets to current liabilities is a little more than 3.2 times. Cash increased by \$9,333, grant receivables decreased by \$70,521, accounts payable decreased by \$39,294, funds due to grantor decreased by \$31,677 and deferred revenue increased by \$29,445 from the June 30, 2015 figures. The most significant change in the FY16 figures was the change in net position due to the impact of GASB 68 "Accounting And Financial Reporting For Pensions". The most significant changes in capital assets were due to 1) the purchase of three vehicles and 2) the purchase of eight desktop computers and six laptops replaced to due a break-in and electrical issues within the building.

Table 2: Condensed Statement of Revenues, Expenses and Change in Net Position

	2016	2015	Dollar Change	Percent Change
Revenues				
Operating Grants and Contributions	\$7,569,249	\$7,924,047	-\$354,798	-4.48%
Charges for Services	35,736	43,973	-8,237	-18.73%
Member Dues	80,738	80,738	--	0.00%
Interest	3,860	4,268	-408	-9.56%
RLF – Loan Loss Allowance Provision	9,821	65,136	-55,315	-84.92%
Other Non-Budgeted Revenue	25,596	--	25,596	100.0%
Total Revenues	\$7,725,000	\$8,118,162	-\$393,162	-4.84%
Expenses				
General Government	130,951	120,032	10,919	9.10%
Community and Economic Development	547,082	327,403	219,679	67.10%
Revolving Loan Fund	9,731	8,159	1,572	19.27%
Employment and Training	1,636,266	1,675,721	-39,455	-2.35%
Social Services	5,439,229	5,363,117	76,112	1.42%
Transportation	288,525	218,827	69,698	31.85%
Loss of disposal of assets	4,895	--	4,895	100.00%
Total Expenses	\$8,056,679	\$7,713,259	\$343,420	4.45%
Change in Net Position	-\$331,679	\$404,903	-\$736,582	-181.92%

Revenues:

LTADD recognized a \$393,162 or slightly more than a 4.8% decrease in revenue in FY 2016 when compared to revenue recognized the FY 2015 period. The current year's decrease can be attributed to a reduction of \$209,500 in Workforce Innovation and Opportunity Act formula funds. We also had a \$297,000 decrease in Social Services funding mainly in Kynect and Consumer Directed Option programs. We did experience an increase of \$199,800 in Community Development due to Office of Economic Adjustment and FEMA Pre-Disaster funds. We were able to reduce the estimated allowance for loan losses by approximately \$9,821 for a number of revolving loans that were either in default or delinquent in FY15.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

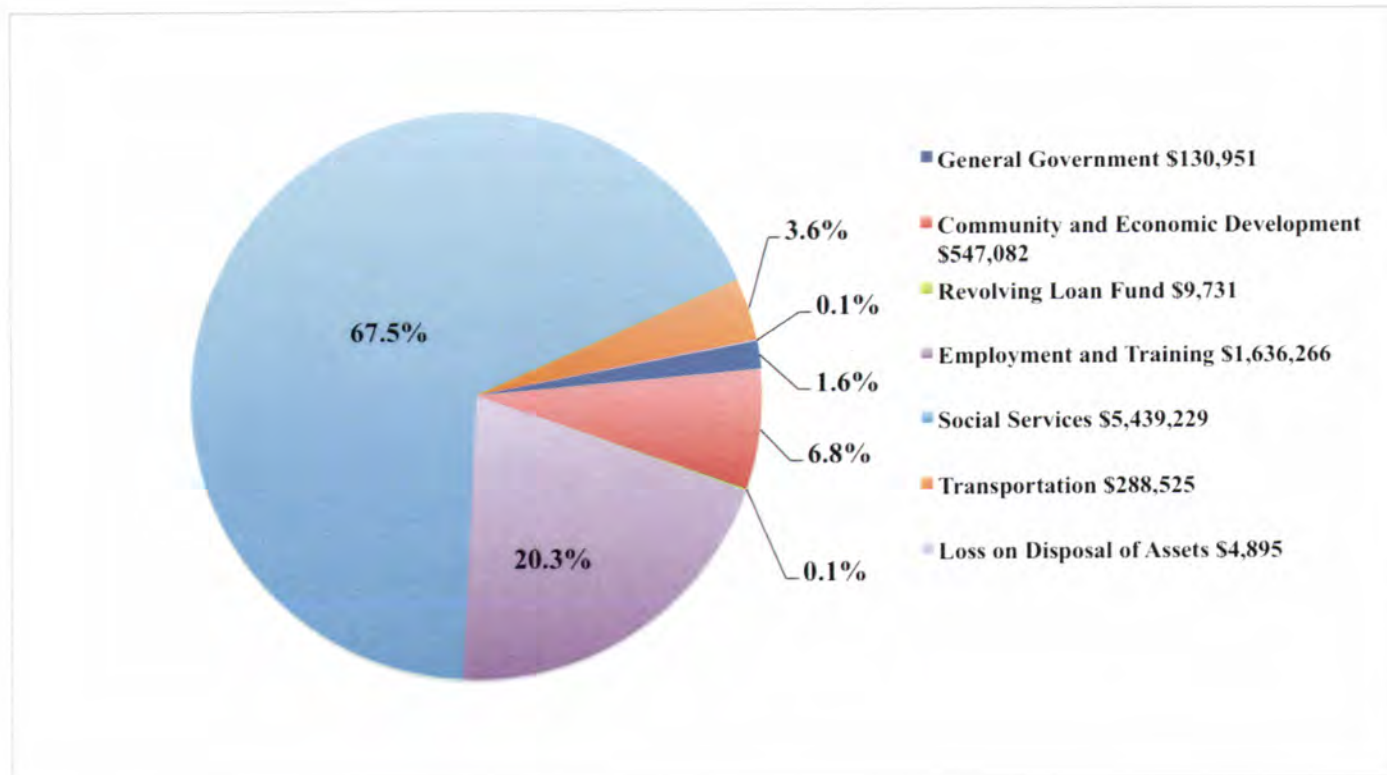
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2016

Expenses:

LTADD recognized a 4.5% increase in expenses in FY16 over the prior period. The increase in expense was due primarily to recording \$384,676 in pension expense, which was allocated to each department based on personnel costs. Net position decreased by \$331,679 in the FY16 fiscal year. The change in net position decreased by \$736,582 in comparison to the prior year change in net position of \$404,903. The decrease in net position is primarily due to the second year reporting results from the implementation of GASB 68 "Accounting And Financial Reporting For Pensions".

LTADD expenses cover a range of services. The following pie chart outlines the percentages and amounts expended by activity. Social Services makes up 67.5% of the expenditures; this is a decrease of 2% from last year's percentage of 69.5%. About 20% of expenditures were associated with Employment and Training activities, which is down 1.4% from its FY15 share.



LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2016

BUDGETARY HIGHLIGHTS

LTADD had \$7,757,305 in revenues (budget basis) for FY16. This is a reduction of approximately \$286,136 or 3.6% from the prior year. The highlights below give a brief description of the changes and the impact to the various programs of the LTADD:

- **COMMUNITY & ECONOMIC DEVELOPMENT (CED)** – The programs administered by the CED comprise the original functions and core activities of LTADD and its assistance to local units of government. Historically, the Joint Funding Administration (JFA) program exists as the primary component of the Community and Economic Development Department – the JFA serves as the original, legacy funding of all ADDs. The funding foundation and allocation structure of the JFA program has remained consistent since 1978. In FY16 we experienced a 4.5% decrease in state funds due to a budgetary reductions enacted by the new Administration in the last quarter of fiscal year. The overall impact to the JFA resulted in a need to provide \$10,433 in General funds to ensure the JFA remained viable. There were increases in the KY Infrastructure Authority (KIA) state-funded planning program of about 2.5%, however, as with JFA, it was necessary to provide roughly \$4,500 in General funds to ensure completion of the grant agreement's scope of work.
- LTADD participated in a statewide Agriculture project funded by the State and the Economic Development Administration in FY16. The increase in this work program resulted in a revenue increase of \$16,621.
- FY16 included a work element funded by the Department of Defense (DoD) Office of Economic Adjustment (OEA) for planning activities related to Fort Knox. This included federal and local matching funds. The revenue for FY16 in this element totaled \$96,379 from both funding sources.
- The five-year required update for the Regional Pre-Disaster Mitigation Plan occurred in FY16 and was undertaken with a combination of federal and Area Development Funds. This regional endeavor resulted in an increase in revenue to the CED in the amount of \$74,412.
- The overall Transportation Planning component of the LTADD (Metropolitan, Rural and other Transportation funds) saw an overall increase in FY16 of \$27,059 in federal, state and local funds. There was a slight increase in the Metropolitan Planning Organization (MPO) funding, as well as small increases in Federal Transit Administration and the Lincoln Heritage Scenic Byway programs. Other increases were tied to our local centerline road updates (mapping) program where we experienced an increase of \$7,100. It must be noted that the overall increase in revenues noted came about as a result of the LTADD using \$17,384 in local funds to ensure completion of the grant agreements' scope of work, as it did in JFA.
- The overall increase on the CED revenue stream of \$226,212 is tempered by the need to support the CED mission with an infusion of \$36,150 in General funds. This infusion was above and beyond any required programmatic match and was necessary to maintain an acceptable level of staffing to complete mission-essential tasks.
- **WORKFORCE INVESTMENT** – Again, the programs of the Workforce Investment Act/Workforce Investment Opportunity Act (WIA/WIOA) performed by the LTADD Employment and Training Department accounted for a 12.2% decrease in revenues in the past fiscal year. As in the past, the impact was due to some reductions in funds received in prior years from the US Department of Labor (DOL). The LTADD will have \$2,020,000 in carryover funds. The decrease in traditional WIA/WIOA funds and other employment and training revenues totaled \$209,563 as compared to the FY15 WIA funding levels.
- **SOCIAL SERVICES** – Kentucky's Area Development District's (ADDs) social services funding levels were somewhat stable with one exception in the LTADD, as noted in the Home & Community Based Consumer Directed Option (CDO) program. Kentucky's programs both financially match and complement the federal programs comprising the Older Americans Act. Virtually all funding in state programs are designed to keep seniors (and those who are disabled) in their homes and in the community rather than in institutional settings. Combined federal and state revenue decreased in these areas from Social Services' FY15 funding levels. As a result, the funding support in overall Aging Services programs witnessed a reduction, as it did in FY15. As noted above, this was especially evident in the CDO program, which saw a decrease of \$221,854. The KY Health Benefit Exchange KYNECT program (the third year for this program) saw a revenue decrease of \$104,045 from FY15 funding levels. The overall department impact was a reduction of \$213,404 in revenues available for services. Fortunately, there was an increase of approximately \$112,495 in traditional federal and state programs that offset the significant reductions in the CDO and KYNECT programs.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end 2016, LTADD had invested \$523,581 in capital assets, including vehicles, office furniture, office equipment and computers. Overall, investment in capital assets decreased by \$45,874 from last year. The purchase of three vehicles and replacement of fourteen computers did not offset the disposal of \$145,982 in obsolete assets. Of the disposals, \$45,700 was for three agency owned vehicles, \$77,500 in Workforce Innovation and Opportunity act assets and \$22,800 in computer related equipment and other assets. More detailed information about LTADD's capital assets is presented in Note H to the financial statements.

Long-term Debt

At year-end 2016, LTADD had \$3,076 in outstanding debt – a decrease of 25.5% from last year's figure. More detailed information about LTADD's long-term liabilities is presented in Note J to the financial statements.

NEXT YEAR'S BUDGETS

LTADD's FY 2017 budget was based on actual information received from the federal, state and local government contracts as of August 2016. Revenues and expenditures were budgeted at \$7,841,229, which is approximately a 2% increase from the FY 2016 actual amounts expended.

FUTURE OPERATIONS

Federal, state, and local governments fund a majority of all programs and projects administered by LTADD. A significant reduction in federal, state or local funding, if this were to occur, would have a significant, material affect on LTADD's future operation.

REQUEST FOR ADDITIONAL INFORMATION

This report is intended to provide readers with a general overview of LTADD's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in this report or need additional information please contact the Lincoln Trail Area Development District, Attention: Fiscal Officer, PO Box 604, Elizabethtown, KY 42702-0604.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

ASSETS

Current Assets:

Cash and cash equivalents	\$1,202,416
Grant receivables	1,133,363
Other receivables	58,815
Prepaid expenses	29,031
Total current assets	<u>2,423,625</u>

Capital assets, net of depreciation	<u>122,974</u>
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Restricted Assets:

Cash – Revolving Loan Fund	57,915
Revolving loan fund receivables, net of allowance	<u>339,086</u>
Total restricted assets	<u>397,001</u>

Total Assets	<u>2,943,600</u>
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Deferred Outflows of Resources:

Deferred outflows related to pension	<u>521,029</u>
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LIABILITIES

Current Liabilities:

Accounts payable	341,488
Advances from grantors	197,504
Unearned grant revenue due to grantor	68,164
Accrued wages	112,821
Payroll withholdings and accruals	11,226
Compensated absences, current	25,964
Revolving loans payable, current	1,048
Total current liabilities	<u>758,215</u>

Noncurrent Liabilities:

Compensated absences, net of current portion	72,113
Revolving loans payable, net of current portion	2,028
Net pension liability	<u>3,038,979</u>
Total noncurrent liabilities	<u>3,113,120</u>

Total Liabilities	<u>3,871,335</u>
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Deferred Inflows of Resources:

Deferred inflows related to pension	130,606
Deferred revenue	<u>49,419</u>
Total deferred inflows of resources	<u>180,025</u>

Net Position:

Net investment in capital assets	122,974
Restricted for Revolving Loan Fund	396,298
Unrestricted	<u>-1,106,003</u>

Total Net Position	<u>-\$586,731</u>
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See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Function/Programs			<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Direct Expenses</u>	<u>Indirect Costs Allocated</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:					
General government	\$110,873	\$20,078	\$17,421	\$20,467	-\$93,063
Community and economic development	450,552	96,530	--	465,974	-81,108
Revolving loan funds	8,076	1,655	18,315	--	8,584
Employment and training	1,427,325	208,941	--	1,510,293	-125,973
Social services	5,127,162	312,067	--	5,342,067	-97,162
Transportation	223,111	65,414	--	230,448	-58,077
Total	<u>\$7,347,099</u>	<u>\$704,685</u>	<u>\$35,736</u>	<u>\$7,569,249</u>	<u>-446,799</u>

General Revenues:

Member Dues	80,738
Interest	3,860
Other Non-Budgeted Revenue	25,596
Total general revenues	<u>110,194</u>

Revolving Loan Fund – Loan
Loss Allowance Provision9,821Loss on Disposal of Fixed
Assets-4,895

Change in Net Position

-331,679Net position, beginning of year
adjusted-255,052

Net position, end of year

-\$586,731

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$891,013	\$369,318	\$1,260,331
Interfund receivables	654,288	159,625	813,913
Grant receivables	--	1,133,363	1,133,363
Other receivables	--	58,815	58,815
Prepaid expenses	--	29,031	29,031
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$1,545,301</u>	<u>\$1,750,152</u>	<u>\$3,295,453</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable	\$0	\$341,488	\$341,488
Interfund payables	--	813,913	813,913
Advances from grantors	--	197,504	197,504
Unearned revenue due to grantor	--	68,164	68,164
Deferred revenue	--	49,419	49,419
Accrued wages	--	112,821	112,821
Payroll withholdings and accruals	--	11,226	11,226
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>0</u>	<u>1,594,535</u>	<u>1,594,535</u>
Fund balances:			
Nonspendable	29,031	--	29,031
Restricted	--	57,212	57,212
Committed	--	98,077	98,077
Assigned	3,076	--	3,076
Unassigned	1,513,194	328	1,513,522
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,545,301</u>	<u>155,617</u>	<u>1,700,918</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$1,545,301</u>	<u>\$1,750,152</u>	<u>\$3,295,453</u>

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

Total Fund Balances - Governmental Funds **\$1,700,918**

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:

Cost	\$523,581	
Accumulated depreciation	<u>-400,607</u>	122,974

Long-term restricted assets are not available to pay for current period expenditures:

Revolving loan fund receivables	370,242	
Revolving loan fund bad debt allowance	<u>-31,156</u>	339,086

Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements:

Deferred outflows related to pension	521,029	
Deferred inflows related to pension	<u>-130,606</u>	390,423

Long-term liabilities including net pension liability are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds:

Revolving loans payable	-3,076	
Compensated absences	-98,077	
Net pension liability	<u>-3,038,979</u>	<u>-3,140,132</u>

Net Position of Governmental Activities **-\$586,731**

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal revenue	\$17,500	\$2,942,009	\$2,959,509
State revenue	--	4,109,326	4,109,326
Local revenue	42,742	108,488	151,230
Cash match	--	166,168	166,168
Program income	--	47,507	47,507
Interest income	3,811	16,927	20,738
Other income	37,180	218,096	255,276
In-kind contributions	--	47,551	47,551
Total Revenues	<u>101,233</u>	<u>7,656,072</u>	<u>7,757,305</u>
Expenditures:			
General government	99,674	--	99,674
Community and economic development	--	498,746	498,746
Revolving loan fund	--	8,918	8,918
Employment and training	--	1,510,250	1,510,250
Social services	--	5,284,316	5,284,316
Transportation	--	256,063	256,063
Capital outlay	86,401	--	86,401
Debt service-principal	1,048	--	1,048
Debt service-interest	32	--	32
Total Expenditures	<u>187,155</u>	<u>7,558,293</u>	<u>7,745,448</u>
Excess of Revenues Over Expenditures	<u>-85,922</u>	<u>97,779</u>	<u>11,857</u>
Other Financing Sources (uses)			
Operating transfers in (out)	62,922	-62,922	--
RLF principal received/(disbursed), net	--	1,501	1,501
Total Other Financing Sources (Uses)	<u>62,922</u>	<u>-61,421</u>	<u>1,501</u>
Net Change in Fund Balances	-23,000	36,358	13,358
Fund Balances, Beginning of Year	<u>1,568,301</u>	<u>119,259</u>	<u>1,687,560</u>
Fund Balances, End of Year	<u><u>\$1,545,301</u></u>	<u><u>\$155,617</u></u>	<u><u>\$1,700,918</u></u>

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds		\$13,358
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of grant reimbursements, which were reported as revenues in the FY15 statement of activities, but were reported in the funds in FY16.		-20,485
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$100,108	
Depreciation expense	-39,519	
Loss on disposal of assets	<u>-4,895</u>	55,694
The increase in net long-term revolving loan fund receivables does not use current financial resources, and thus is not reported in the governmental funds:		
Change in revolving loan fund receivables, net of allowance		8,320
The net decrease in long-term liabilities does not provide current financial resources, and thus is not reported in the governmental funds:		
Change in revolving loans payable		1,048
Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds:		
Change in compensated absences liability		-4,937
Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions are reported as pension expense. This is the amount by which the cost of benefits earned of \$590,691 exceeds pension contributions of \$206,015.		-384,676
Rounding		<u>-1</u>
Change in Net Position of Governmental Activities		<u><u>-\$331,679</u></u>

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – REPORTING ENTITY

The Lincoln Trail Area Development District (LTADD) (the District) was established under the laws of the Commonwealth of Kentucky by KRS 147A.050(4). The Attorney General in OAG 78-534 held that Area Development Districts are political subdivisions of the Commonwealth of Kentucky. As an Area Development District, the Lincoln Trail Area Development District has entered into various grant agreements, all of which are subject to the financial management policies of the District.

The District receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since members of the District's Board of Directors are elected officials, or are appointed by elected officials, and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) 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. All of the District's activities are governmental and thus the statements reflect no business-type activities.

The government-wide statements are prepared using the economic resources measurements focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service program or department and are, therefore, clearly identifiable to a particular program. Indirect costs are expenses that are not specifically identifiable to a particular program and are therefore allocated to the various programs. 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 program expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

LTADD classifies net position in the government-wide financial statements as follows:

- Net investment in capital assets includes capital assets, net of depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position includes assets that have third-party (statutory, bond covenant, or grant agency) limitations on their use. LTADD typically uses restricted assets first but reserves the right to selectively defer the use until a future project.
- Unrestricted net position typically includes unrestricted liquid assets. The Board of Directors has the authority to revisit or alter this designation.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has neither nonmajor funds nor fiduciary funds.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 fund balances.

The District has the following governmental funds:

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. Any fund balances are considered as resources available for use. This is a major fund of the District.

The Special Revenue Fund accounts for proceeds of specific revenue sources that is legally restricted to disbursements for special purposes. It includes federal financial programs where unused balances may be returned to the grantor at the close of the special project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. 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 fund of the District.

- (2) Basis of Accounting – Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Non-Exchange Transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from Non-Exchange Transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the costs have been earned and eligibility requirements are met would be recorded as deferred revenue.

Unearned Grant Revenue Due to Grantor – Unearned grant revenue due to grantor includes grant revenues received but not earned for District grants, contracts, and MOA's for which expenditure time limitations have expired.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in net position as an expense with a like amount reported as donated commodities revenue. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District’s policy is to first apply restricted resources.

Interfund Receivables and Payables are used to account for obligations due to and from the General Fund and the Special Revenue Fund in the governmental funds but are eliminated in the government wide financial statements.

The measurement focus on governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

- (3) Budgetary Principles – The District is not legally required to adopt a budget; however, a budget is prepared using the grants management basis of accounting for each fiscal year and is approved by the Board of Directors.
- (4) Cash Equivalents – For purposes of financial statement presentation, LTADD classifies certificates of deposit as cash equivalents.
- (5) Allowance for 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 individual credits, recent loss experience and current economic conditions. The allowance is increased by the provision for loan losses and reduced by net charge-offs.
- (6) Capital Assets – Capital assets are reported in the government-wide financial statements. Capital assets are defined by LTADD as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical costs.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of LTADD are depreciated principally using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Vehicles and equipment	3 – 7 years
Equipment – grants	5 years

- (7) Compensated Absences – The compensated absences liability included in the balance sheet represents earned vacation available to employees, up to a maximum of 150 hours, at current compensation rates.
- (8) Recognition of Revenue – Grant revenue is recognized to the extent that expenditures are incurred in the manner specified by the grants and matching requirements are met.
- (9) Cost Allocation – LTADD is required by the Department of Local Government, to operate under a cost allocation plan (CAP) that conforms with 2 CFR Part 200. LTADD drafts the CAP using 2 CFR 200, Appendix VII, F - *Other Policies*, 3 - *Indirect Cost Allocation Not Using Rates*. A summary of the cost allocation methodology begins on page 27 in Note R. A schedule of shared costs for FY16 is on page 35. In management’s judgment LTADD is in conformity with 2 CFR 200.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

(10) Fund Balance Classification – In accordance with GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, fund balances are reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following are the fund balance categories and the distinctions between each:

- a. Nonspendable – amounts that are not in a spendable form (such as inventory or prepaid expenses) or that are required to be maintained intact.
- b. Restricted – amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.
- c. Committed – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, such as a Board of Directors. Amounts committed cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. Assigned – are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- e. Unassigned – is the residual classification for the government.

(11) Income Taxes – LTADD is exempt from federal and state income taxes by virtue of being a unit of local government under Regulation 103 KAR 30:225E and, accordingly, the financial statements include no provision for such taxes.

(12) Subsequent Events – Management has evaluated subsequent events through December 21, 2016, which is the date the financial statements are available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D – DEPOSITS / CASH AND CASH EQUIVALENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits may not be returned to it.

The Kentucky Revised Statutes authorize LTADD to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE D – DEPOSITS / CASH AND CASH EQUIVALENTS, Continued

The district's policy is to have all deposits covered by depository insurance or secured by pledged securities. At June 30, 2016, the carrying amounts of the District's deposits were \$1,260,331 and the bank balances were \$1,404,618, of which \$1,404,618 was covered by federal depository insurance or by collateral held by the pledging financial institution in the District's name.

NOTE E – INTERFUND RECEIVABLES AND PAYABLES

Receivables and payables between funds included on the Balance Sheet – Governmental Funds at June 30, 2016 are as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Special Revenue Fund:	Special Revenue Fund:	
Operational	Revolving Loan Fund	\$703
Operational	Consumer Directed Options	86,352
Operational	Workforce Investment Act	71,916
Revolving Loan Fund	Operational	328
WIOA	Operational	326
General Fund	Operational	654,288
		<u>\$813,913</u>

All routine operating expenditures are paid by the operational account. The due to/from between the various special revenue fund accounts are for routine receivables and payables and are expected to be paid within one year. The special revenue fund borrows from the general fund to finance day to day operations. The amount due from operational to the general fund is not expected to be paid within one year due to the reimbursement nature of grant agreements and the continual corresponding grant receivables.

NOTE F – FEDERAL AND STATE ADMINISTRED GRANT RECEIVABLES

Federal and state administered grant receivables consist of receivables for reimbursements of expenditures under various programs and grants. All amounts are expected to be collected within the next year. Grant receivables at June 30, 2016 consisted of the following:

FY'16	
Kentucky Infrastructure Authority	\$42,498
Cabinet for Heath & Family Services - Aging	578,254
Prescription Assistance Program	12,176
KY Transportation Cabinet	33,990
Homeland Security	50,000
Office of Economic Adjustment	108,413
Division of Aging Services – Consumer Directed Options	207,345
KY Cabinet for Workforce Development	100,687
	<u>\$1,133,363</u>

NOTE G – REVOLVING LOAN FUND RECEIVABLES

The Revolving Loan program was established in 1987 with 75% or \$500,000 of the funding coming from a Special Economic Development and Assistance grant from the Economic Development Administration (EDA) and a 25% or \$166,667 match provided by the LTADD. As of June 30, 2016, there were nine active loans with an outstanding principal balance of \$370,242. An additional allowance of \$31,156 is carried on two loans, one of which is in default

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE G – REVOLVING LOAN FUND RECEIVABLES, Continued

and the other is delinquent at June 30, 2016 but neither is in bankruptcy protection. The Loan Officer is working with the default and delinquent loans. Periodic payments have been made on each of these loans.

The revolving loan fund receivables at June 30, 2016, are summarized as follows:

Principal balance of loans outstanding	\$370,242
Allowance for loan losses	<u>-31,156</u>
Revolving loan fund receivables, net of allowance	<u>\$339,086</u>

An analysis of the allowance for loan losses is as follows:

Estimated allowance for loan losses, June 20, 2015	\$40,978
Recoveries of loans previously reserved	--
Provisions for the year	<u>-9,822</u>
Estimated allowance for loan losses, June 30, 2016	<u>\$ 31,156</u>

Recoveries and provisions are recorded in the statement of activities. There were no recoveries of loans previously written off for the year ended June 30, 2016. In management's opinion, all known and anticipated loan losses have been either written off or adequately provided for in the allowance for loan losses.

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles and Equipment	\$267,956	\$86,401	\$55,620	\$298,737
Equipment - Grant Purchased	<u>301,499</u>	<u>13,707</u>	<u>90,362</u>	<u>224,844</u>
Total Costs	<u>569,455</u>	<u>100,108</u>	<u>145,982</u>	<u>523,581</u>
Less Accumulated Depreciation				
Vehicles and Equipment	256,016	21,640	53,866	223,790
Equipment - Grant Purchased	<u>246,159</u>	<u>17,879</u>	<u>87,221</u>	<u>176,817</u>
Total Accumulated Depreciation	<u>502,175</u>	<u>39,519</u>	<u>141,087</u>	<u>400,607</u>
Net Capital Assets	<u>\$67,280</u>	<u>\$60,589</u>	<u>\$4,895</u>	<u>\$122,974</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$21,640
Community & economic development	2,474
Revolving loan fund	--
Employment and training	6,815
Social services	8,326
Transportation	<u>264</u>
Total depreciation expense	<u>\$39,519</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE I – UNEARNED GRANT REVENUE DUE TO GRANTOR

At June 30, 2016 unearned grant revenue of \$68,164 includes revenues received but not earned, from District grant agreements, and is as follows:

Contract/Billing Name	FY16 Revenue Received	FY16 Expenditures	Amount Due to Grantor
FY07 and prior - all sources	\$-	\$-	\$5,409
FY08			
Kentucky Infrastructure Authority	-	-	25,877
FY09			
Kentucky Infrastructure Authority	-	-	238
DOE-JAG	-	-	2,465
Consumer Directed Options	-	-	5,090
FY10			
Kentucky Infrastructure Authority	-	-	715
DOE-JAG	-	-	56
Consumer Directed Options	-	-	18,550
Kentucky Prescription Assistance Program	-	-	25
FY11			
Kentucky Prescription Assistance Program	-	-	4
FY12			
Kentucky Prescription Assistance Program	-	-	1,938
Workforce Investment Act	-	-	1,970
FY13			
Kentucky Prescription Assistance Program	-	-	146
FY15			
Adult Day Care Admin	-	-	788
CMS SHIP	-	-	241
ACA MIPPA/ADRC	-	-	774
Kentucky Prescription Assistance Program	-	-	238
FY16			
Title VII-Elder Abuse	3,927	3,867	60
Homecare	990,724	990,722	2
Kentucky Caregiver/Grandparent Program	150,291	150,289	2
Program Development & Implementation	96,233	95,869	364
Kentucky Prescription Assistance Program	56,538	53,326	3,212
			\$68,164

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE J – LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments/ Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$93,140	\$4,937	\$-	\$98,077	\$25,964
Revolving Loans Payable - KHC	4,124	-	1,048	3,076	1,048
Net Pension Liability	2,275,000	763,979	-	3,038,979	-
Total Long-Term Liabilities	<u>\$2,372,264</u>	<u>\$768,916</u>	<u>\$1,048</u>	<u>\$3,140,132</u>	<u>\$27,012</u>

Additions and reductions to compensated absences represent the net change in compensated absences for the fiscal year. Additions to long-term debt of \$763,979 for net pension liability is a result of the reporting requirements, of GASB 68, *Accounting and Financial Reporting for Pensions*.

The District participates in the Non-profit Housing Production Loan Program administered by the Kentucky Housing Corporation, whereby the District receives funds for the purpose of making low interest loans to eligible applicants. The District is required to repay these loan program funds to the Kentucky Housing Corporation in annual installments plus interest at the rate of 1% per annum, paid quarterly. The following is a summary of future maturities under this loan program:

Year ending June 30	
2017	\$ 1,048
2018	1,048
2019	<u>980</u>
	<u>\$3,076</u>

NOTE K – DEFINED BENEFIT PENSION PLAN

Plan Description – The District participates in the County Employees Retirement System (CERS) pension plan (Plan). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty position of each county, school board and any additional eligible local agencies electing to participate in the Kentucky Retirement System (KRS). The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by visiting www.kyret.ky.gov.

Benefits Provided – CERS provides for retirement, disability and death benefits to system members through its pension fund. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type/amount of service, participation date and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008, are eligible to retire with full benefits at any time with 27 or more years of service credit, or at the age of 65 with at least 48 months of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at the age of 57 if the member's age and years of service equals 87, or at the age of 65 with at least 60 months of service credit. Plan members with a participating date on or after January 1, 2014 are eligible for retirement benefits under the provisions established for a hybrid Cash Balance Plan.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE K – DEFINED BENEFIT PENSION PLAN, Continued

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

CERS also provides for retiree medical benefits through its insurance fund. Generally accepted accounting and financial reporting principles do not currently require recognition and reporting of the liabilities, deferred outflows of resources, deferred inflows of resources, and expense associated with this postemployment benefit. Therefore, such information has not been reflected in these financial statements.

Contributions – Plan members working in non-hazardous positions employed before September 1, 2008 are required to contribute 5% of their annual creditable compensation. Those hired on or after September 1, 2008 are required to contribute 6%, with the additional 1% deposited into the KRS Insurance Fund. The District is required to contribute at an actuarially determined rate. Per Kentucky Revised Statute, normal contribution and past service contribution rates shall be determined by the Kentucky Retirement System's Board of Trustees on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2016, total employer contributions for the District were \$282,988 based on a rate of 17.06% for Non-Hazardous members through covered payroll. The contribution rate of 17.06% for Non-Hazardous is comprised of amount for pension and insurance benefits; 12.42% or \$206,015 was dedicated for pensions and 4.64% or \$76,973 was allocated to insurance.

By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liability, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and Pension Expense – At June 30, 2016, the District reported a liability of \$3,038,979 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's proportion was 0.070682 percent.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. The table below provides a summary of the deferred inflows and outflows as of the Measurement Date.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE K – DEFINED BENEFIT PENSION PLAN, Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,729	\$ -
Changes of assumptions	275,803	-
Net differences between projected and actual earnings on plan investments	-	130,606
Change in employer proportionate share of net pension liability	16,482	-
Employer contributions subsequent to the measurement date	206,015	-
	<u>\$ 521,029</u>	<u>\$ 130,606</u>
Total		

The \$206,015 of deferred outflows of resources resulting from LTADD's pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 20, 2017. Other amounts reported as deferred outflows/inflows of resources will be recognized in the pension expense as follows:

Year ending June 30,	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$35,002	\$45,352
2018	35,002	45,352
2019	35,002	45,352
2020	35,002	(5,450)
2021	35,002	-
2022 - 2025	140,004	-
Total	<u>\$315,014</u>	<u>\$130,606</u>

For the year ended June 30, 2016, the District recognized pension expense of \$590,691.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

- Valuation date – June 30, 2015
- Experience study – July 1, 2008 through June 30, 2013
- Inflation – 3.25 percent
- Salary increases – 4.0 percent, average, including inflation
- Investment rate of return – 7.50 percent, net of pension plan investment expense, including inflation

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE K – DEFINED BENEFIT PENSION PLAN, Continued

The mortality table used for active members is 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 for one year for females). For disabled members, 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

Assumed Asset Allocation – The target asset allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE K – DEFINED BENEFIT PENSION PLAN, Continued

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 3,879,649	\$ 3,038,979	\$ 2,319,041

Pension Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued CERS financial report. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort Kentucky, 40601.

NOTE L – DEFERRED COMPENSTATION

The District offers its employees a deferred compensation plan crated in accordance with Internal Revenue Code Section 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements. LTADD make no contributions to these plans.

NOTE M – RELATED PARTY TRANSACTIONS AND RENTAL COMMITMENTS

The District has entered into a lease agreement, which is a cancelable operating lease agreement for office space and storage with Lincoln Trail Development Foundation, Inc. The lease agreement is on an annual basis. The rental charge is computed based on the actual cost of providing the space. The annual rental cost totaled \$39,763 for the year ended June 30, 2016.

NOTE N – FUND BALANCES

Fund balances at June 30, 2016 are classified as follows: Nonspendable in the amount of \$29,031 represents amounts that cannot be spent due to form and correspond to prepaid expenses; Restricted by contractual provisions for the Revolving Loan Fund in the amount of \$57,212; Committed for the purpose of funding compensated absences in the amount of \$98,077, and Assigned for the intent of funding revolving loans payable in the amount of \$3,076. Committed and assigned fund balance classifications are determined by action of the Board of Directors.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE O – BUDGET BASIS REVENUES AND EXPENDITURES

The District maintains accounting records utilizing the grants management (budget) basis of accounting for grant and financial reporting purposes. Certain differences exist between the grants management (budget) basis of accounting and the governmental fund basis of accounting reported in the fund financial statements. The amounts reported are reconciled as follows:

Grants Management (Budget) Basis Expenditures	\$7,686,331
Change in compensated absences liability not recognized in fund financial statements	-4,937
Agency owned assets are depreciated for budget basis but expensed in fund financial statements:	
Expense capital assets purchased with agency funds	86,401
Depreciation expense on agency owned assets and loss on disposal	-23,395
Debt service expense recognized in the fund financial statements	1,048
Fund Financial Statement Expenditures	<u>\$7,745,448</u>

NOTE P – RISK MANAGEMENT

LTADD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LTADD participates in the Kentucky Association of Counties All Lines Fund (KALF), a public entity risk pool currently operating as a common risk management and insurance program for the Counties of Kentucky and their sub agencies. LTADD pays an annual premium to KALF for insurance coverage for certain risks of loss, including workers' compensation and general liability. The Coverage Agreement provides that KALF will be self-sustaining through member contributions, premiums and assessments and will reinsure through commercial companies for property related claims in excess of \$250,000 for each insured event.

NOTE Q – CONCENTRATION OF RISK

During the year ended June 30, 2016, the District received approximately 95.4% of its revenue from federal, state and local grants, and the related in-kind match and program income. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, it is determined that funds have not been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE R – COST ALLOCATION METHODOLOGY

All costs incurred by LTADD must be charged to a specific program element as a direct charge or allocated to all program elements as a shared cost. Direct charges are defined in 2 CFR Part 200 (formerly OMB Circular A-87) as expenses that can be identified specifically with a particular cost objective. Shared costs are those incurred for a common or joint purpose benefiting more than one program element and not readily assignable to the program element(s) specifically benefited. Below is a listing of the expense categories that apply to LTADD and the manner in which they will be charged.

1. **Personnel Costs** – consists of salary, benefits, and worker's compensation. The following is a description of how these costs are charged:
 - a. Salaries – employees charge their time as direct costs to the grants or program cost objectives in which their work is attributable. Charges are based upon timesheets submitted by each employee. The salary of employees whose total time is not directly attributable to specific grant programs, such as the Executive Director and Administrative

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE R – COST ALLOCATION METHODOLOGY, Continued

staff, will be charged to either the operational, indirect administration or common cost pool based on the nature of the task performed. Time spent on Board related activities or overall management of the organization will be charged to the operational cost pool. Time related to accounting, human resources, or procurement are charged to the indirect administration pool. Time spent by the receptionist and network specialist, as well as building/vehicle maintenance activities that benefit only the main office are charged to the common cost pool. Those employees whose time is partially direct and partially indirect will have their salary costs pro-rated based upon their timesheet entries.

- b. Employee Leave Benefit – Employee leave is allocated rather than being charged directly to programs, leave costs are placed in an interim pool by employee class then allocated during the month-end closing process. Allocations are made by class using the ratio of year-to-date actual leave benefit costs to the base of in-service salaries. In-service salaries being defined as salaries resulting from direct, indirect administrative, common and operational timesheet charges. Employee leave benefits are budgeted and accounted for as salary costs. The allocation in the accounting process seeks to equitably share these costs as a percentage of salaries. LTADD has 3 types of employee leave classes:
- **Full Time Employees** – which are entitled to annual, sick, holiday, civil and military leave.
 - **Part Time Regular Employees** – which are entitled to annual, sick, holiday and civil leave.
 - **Seasonal/Temporary Employees** – which are not entitled to any type of leave.

The cost allocation plan (CAP) identifies the treatment of leave costs as a matter of accounting practice. It replaces the impractical practice of direct charging leave by an individual with a computerized process that improves the equitable sharing of leave in a multi-funded and multiple-fiscal-year environment.

- c. Employee Fringe Benefit – consists of benefit costs for all employees whether their salaries are charged as direct or indirect. Fringe benefit costs are allocated to all programs by line-item expenditure, which consists of FICA, Health, Dental, Retirement, Long Term Disability/Life, and Vision. The accumulated fringe benefit pool costs are distributed through a rate that represents the ratio of fringe costs to total salaries by employee classification. Through the use of fringe rates by employee class, fringe benefits automatically follow the year-to-date salary cost and create an equitable distribution. LTADD has 3 types of employee classification for fringe:
- **Full Time Employees** – employees that are entitled to FICA, Health, Dental, Vision, Retirement, and Long Term Disability/Life Insurance
 - **Part Time Regular Employees** – employees that are entitled to FICA
 - **Seasonal/Temporary** – employees that are entitled to FICA
- d. Worker's Compensation – is charged to the projects or cost pools based on a rate determined by position classification. During the month-end closing process a general journal entry is created by the accounting system that takes the salaries charged by each individual and multiplies it by a rate assigned to the individual's classification resulting in the amount of worker's compensation assigned to the project or cost pool. When a salary is direct charged to a program, the worker's compensation is direct charged to the program. If a salary is charged to a cost pool, the worker's compensation is charged to the cost pool.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE R – COST ALLOCATION METHODOLOGY, Continued

2. **Operating or Administration Expenses** – costs that can be directly attributed to a specific grant or program element is charged as direct costs to the program or cost objective benefiting from the services. Costs whose content cannot be directly attributed to a specific grant or program element are charged to the applicable cost pool (i.e. operational, indirect administration or common cost pool) and allocated on the basis of salary, benefits, and worker's compensation (personnel costs). The following is a list of expenditures that fall into this category:
 - a. Consultants and contracts
 - b. Client services and direct support
 - c. Travel and training
 - d. Advertising, printing, publication and copies
 - e. Equipment rent and maintenance
 - f. Supplies and postage
 - g. Phone
 - h. Dues, conferences and meeting costs
 - i. Other costs
 - j. Rent
 - k. Insurance and bond expense
3. **Common Cost Pool** – consists of occupancy and other facility costs that support all programs located at the primary LTADD facility. Examples of common cost expenses are salary and benefits for the receptionist, salary and benefits for network specialist, janitorial services, depreciation, building supplies, maintenance/repairs to the building, mowing services, insurance, maintenance/repairs to computer equipment and any cost that benefits the main facility and it's occupants. These costs are directly charged to a common cost pool element (999000) throughout the month. Costs charged to the common cost pool are independent of the costs charged to the other cost pools. The common cost pool is the first pool to close during the month-end closing process and does not get allocated any portion of the indirect administrative or operational cost pools. During the month-end closing process, an actual year-to-date rate is determined using the ratio of actual year-to-date common cost pool expenses to actual year-to-date salaries, fringe, and worker's compensation (base). The base of the common cost pool is reduced by the Workforce Investment Act case management and off site Kynect staff salary, fringe and worker's compensation costs because they are not housed at the primary facility located at 613 College Street Road and, therefore, do not share in the common cost pool allocation. The common cost pool rate fluctuates slightly from month to month due to increases/decreases in charges to the pool and shifts in employee salaries and/or benefits from month to month. A share of the common cost pool is assigned to each active project or cost objective, including the indirect administrative and operational cost pools, based on the salaries, fringe and worker's compensation incurred by each.
4. **Indirect Administrative Cost Pool** – consists of costs for accounting, human resources and procurement activities that benefit all programs and cannot be directly charged to a program or cost objective. Examples of indirect administrative costs would be expenses for salaries and benefits for the accounting staff, salary and benefits for human resource activities, audit costs, maintenance and support costs for the accounting software, bond/insurance for administrative staff, wellness activities and other administrative miscellaneous charges. These costs are directly charged to an indirect administrative cost pool element (999500) throughout the month. Costs charged to the indirect administrative cost pool are independent of costs charged to the other cost pools. The indirect administrative cost pool is the second pool to close during the month-end closing process and gets a share of the common cost pool based on the year-to-date rate calculated for the common cost pool during the closing process multiplied by the year-to-date salaries, fringe, and

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2016

NOTE R – COST ALLOCATION METHODOLOGY, Continued

worker's compensation charged to the indirect administrative cost pool. During the month-end closing process, an actual year-to-date rate is determined using the ratio of actual year-to-date indirect administrative cost pool expenses to actual year-to-date salaries, fringe, and worker's compensation (base) for all programs or cost objectives. The indirect administrative cost pool rate fluctuates slightly from month to month due to increases/decreases in charges to the pool and due to the variable nature of employee salaries and/or benefits from month to month. A share of the indirect administrative cost pool is assigned to each active project or cost objective, including the operational cost pool, based on the salaries, fringe and worker's compensation incurred by each.

5. **Operational Cost Pool** – consists of costs for activities related to the board of directors and general management activities that benefit all programs and that cannot be directly charged to a program or cost objective. Examples of operational costs are expenses for salaries and benefits of staff that support board activities, salary and benefits for the executive director, agency owned vehicle repair and maintenance expense, travel related to the general management of all programs, and other miscellaneous general management charges. These costs are directly charged to the operational cost pool element (770000) throughout the month. Costs charged to the operational cost pool are independent to the cost charged to the other pools. The operational cost pool is the last pool to close during the month-end closing process and gets a share of the common and the indirect administrative cost pools based on the rates calculated for each pool multiplied by the year-to-date salaries, fringe, and worker's compensation charged to the operational cost pool. During the month-end-closing process, an actual year-to-date rate is determined using the ratio of year-to-date salary, fringe and worker's compensation costs per project or cost objective divided by the actual year-to-date salaries, fringe, and worker's compensation of all projects or cost objectives. The operational cost pool is a percentage of the year-to-date salary and benefits for one project to the salary and benefits of all the projects or cost objectives. The percent allocated fluctuates from month to month due to the variable nature of employee salaries and/or benefits charged to projects or cost objectives from month to month. A share of the operational cost pool is assigned to each project or cost objective based on the salaries, fringe and worker's compensation incurred by each. During the closing process the costs are shifted from the operational pool (zeroing out the pool) and charged to the various projects based on actual year-to-date salaries, fringe and worker's compensation.

The accounting system will accumulate all shared costs, whether operational, administrative indirect or common, on an annual basis coinciding with the LTADD's fiscal period. Allocated costs are distributed monthly for reporting purposes. LTADD has a few contracts that terminate before our fiscal year end at June 30, these projects are locked and pool costs are shifted to our general fund. This process enables us to report final year-end audited figures equal to the final invoices submitted to the grantor. The projects that are locked will have slightly different pool rates than projects that end at June 30. These costs are absorbed by our general fund and do not affect charges to other active projects.

At the end of the year, the final distribution is recorded to form a part of final costs by activity. This mechanism allows the accounting system to develop actual rates (fringe, operational, indirect administrative or common) for the twelve-month period and eliminates the circumstantial results created by the timing of incurred costs and project beginning and termination periods. As a result, all financial activity during the fiscal year serves as the base for sharing of fiscal year allocated costs.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS – GRANTS MANAGEMENT BASIS

Year Ended June 30, 2016

	Original and Final Budget	Actual Amounts
Revenues:		
Federal revenue	\$4,255,994	\$2,959,509
State revenue	4,467,965	4,109,326
Local revenue	121,404	151,230
Cash match	148,586	166,168
Program income	42,480	47,507
Interest income	14,000	20,738
Other income	73,696	255,276
In-kind contributions	16,667	47,551
Total Revenues	9,140,792	7,757,305
Expenditures:		
Salaries	1,826,428	1,759,576
Fringe	791,315	754,642
Contractual services	3,527,415	3,014,884
Client services/Program costs	2,381,780	1,667,524
Travel	88,853	61,268
Training	37,805	26,172
Ads, printing, publishing, and copies	28,013	19,183
Equipment rent and maintenance	41,926	53,118
Grant purchased equipment	13,636	13,707
Supplies and postage	49,922	52,359
Phone	26,520	25,705
Dues, conferences and meeting costs	58,600	52,072
Other costs	140,579	54,620
Rent	113,000	116,397
Insurance	15,000	15,104
Total Expenditures	9,140,792	7,686,331
Excess Revenues over Expenditures	\$0	70,974
Fund balance, beginning of year		1,973,981
Fund balance, end of year		\$2,044,955

Note A: The LTADD budget is prepared on the grants management basis of accounting for the General Fund and the Special Revenue Fund combined, as approved by the Board of Directors.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

Year Ended June 30, 2016

Last 10 Years*

	<u>2016</u>	<u>2015</u>
Proportion of net pension liability	0.070682%	0.070132%
Proportionate share of the net pension liability	\$3,038,979	\$2,275,000
Covered - employee payroll	\$1,658,723	\$1,644,544
Proportionate share of the net pension liability as a percentage of covered payroll	183.21%	138.34%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

* Fiscal year 2015 was the first year of implementation; therefore, only two years is shown.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

Year Ended June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 206,015	\$ 214,320
Contributions in relation to the actuarially determined contribution	<u>(206,015)</u>	<u>(214,320)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$1,658,723	\$1,644,544
Contributions as a percentage of covered employee payroll	12.42%	13.03%

* Fiscal year 2015 was the first year of implementation; therefore, only two years are shown.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2016

Changes of Benefit Terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 listed below:

2009: A new benefit tier for members who first participated on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of Assumptions: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 listed below:

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to .75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used from active members is 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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF SHARED COSTS

Year Ended June 30, 2016

	<u>Operational</u>	<u>Indirect</u>	<u>Common</u>	<u>Total</u>
Salaries	\$143,968	\$135,245	\$40,495	\$319,708
Fringe Benefits	62,812	48,306	17,948	129,066
Contractual Services	7,976	19,925	--	27,901
Travel	15,251	1,818	338	17,407
Training	428	1,152	--	1,580
Ads, Printing, Publications & Copies	1,325	3,262	1,901	6,488
Equipment Rent & Maintenance	1,457	5,808	5,697	12,962
Supplies & Postage	9,187	3,589	6,576	19,352
Phone	13,962	53	438	14,453
Dues, Conferences & Meeting Costs	19,076	3,145	193	22,414
Other Costs	17,800	1,343	6,021	25,164
Rent	8,596	9,086	75,404	93,086
Insurance & Bond Expenses	14,321	783	--	15,104
	<u>\$316,159</u>	<u>\$233,515</u>	<u>\$155,011</u>	<u>\$704,685</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	Joint Funding Agreement	Kentucky Infrastructure Authority	DOD - Office of Economic Adjustment	Agriculture Contract	Regional SPGE Technical Assistance	Pre Disaster Mitigation	COMMUNITY & ECONOMIC DEVELOPMENT TOTAL
Revenues							
Federal Revenue	\$ 81,500	\$ -	\$ 86,741	\$ 28,412	\$ -	\$ 50,000	\$ 246,653
State Revenue	124,848	84,997	-	3,702	4,625	-	218,172
Local Revenue	10,433	4,496	9,638	3,401	1,058	24,412	53,438
Program Income	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Other Income	-	1,622	-	-	-	-	1,622
In-Kind Contributions	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	-
Total revenues	216,781	91,115	96,379	35,515	5,683	74,412	519,885
Expenditures							
Salaries	105,399	41,100	1,295	17,966	2,798	15,784	184,342
Fringe Benefits	47,087	18,368	578	8,032	1,251	6,779	82,095
Contractual Services	-	-	89,835	-	-	18,942	108,777
Client Services/Program Costs	-	-	-	-	-	-	-
Travel	2,363	2,192	2,575	87	-	-	7,217
Training	1,056	1,266	-	-	-	-	2,322
Ads, Printing, Publications & Copies	638	173	1,416	-	123	1,474	3,824
Equipment Rent and Maintenance	1,570	2,814	-	-	-	-	4,384
Capital Outlay (Equipment)	-	1,622	-	-	-	-	1,622
Supplies and Postage	1,599	60	-	2	-	2,681	4,342
Phone	765	-	-	-	-	-	765
Dues and Registrations	941	1,956	-	-	43	177	3,117
Other Costs	63	-	-	-	-	-	63
Rent	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-
Debt Services-Principal	-	-	-	-	-	-	-
	161,481	69,551	95,699	26,087	4,215	45,837	402,870
Shared Costs Applied:							
Operational Costs	23,341	9,102	287	3,980	619	3,492	40,821
Indirect Administration Costs	17,240	6,723	211	2,939	458	2,536	30,107
Shared Costs	14,719	5,739	182	2,509	391	2,062	25,602
Total expenditures	216,781	91,115	96,379	35,515	5,683	53,927	499,400
Revenues over (under) expenditures	-	-	-	-	-	20,485	20,485
Other financing sources (uses):							
Operating transfers in (out)	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	20,485	20,485
Fund balances, beginning of year	-	-	-	-	-	(20,485)	(20,485)
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	KTC Regional Transportation	KTC Metropolitan Planning Organization	Federal Transit Administration	Lincoln Heritage Scenic Byway (Signage)	KTC FY15 Local Road Updates - Centerline	TRANSPORTATION TOTAL
Revenues						
Federal Revenue	\$ -	\$ 100,800	\$ 6,628	\$ 1,918	\$ 15,700	\$ 125,046
State Revenue	78,065	6,300	-	-	-	84,365
Local Revenue	14,684	27,638	1,657	480	2,636	47,095
Program Income	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-
Total revenues	92,749	134,738	8,285	2,398	18,336	256,506
Expenditures						
Salaries	44,991	66,905	3,641	-	9,352	124,889
Fringe Benefits	20,109	29,903	1,628	-	4,138	55,778
Contractual Services	-	-	-	2,398	-	2,398
Client Services/Program Costs	-	-	-	-	-	-
Travel	640	269	-	-	58	967
Training	347	215	-	-	-	562
Ads, Printing, Publications & Copies	80	310	-	-	-	390
Equipment Rent and Maintenance	1,334	1,302	443	-	-	3,079
Capital Outlay (Equipment)	-	-	-	-	-	-
Supplies and Postage	20	33	4	-	-	57
Phone	-	-	-	-	-	-
Dues and Registrations	1,620	695	-	-	-	2,315
Other Costs	-	-	657	-	-	657
Rent	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-
Debt Services-Principal	-	-	-	-	-	-
	69,141	99,632	6,373	2,398	13,548	191,092
Shared Costs Applied:						
Operational Costs	9,965	14,818	807	-	1,989	27,579
Indirect Administration Costs	7,360	10,945	596	-	1,491	20,392
Shared Costs	6,283	9,343	509	-	1,308	17,443
Total expenditures	92,749	134,738	8,285	2,398	18,336	256,506
Revenues over (under) expenditures	-	-	-	-	-	-
Other financing sources (uses):						
Operating transfers in (out)	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	EDA RLF Administration	RLF - EDA	REVOLVING LOAN FUND TOTAL	Workforce Innovation & Opportunity Act	EMPLOYMENT & TRAINING TOTAL	Title III Aging Planning & Administration	Title III-B Support Services
Revenues							
Federal Revenue	\$ -	\$ -	\$ -	\$ 1,510,293	\$ 1,510,293	\$ 72,597	\$ 223,754
State Revenue	-	-	-	-	-	36,138	68,115
Local Revenue	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	9,725
Interest Income	-	16,927	16,927	-	-	-	-
Other Income	9,182	(7,745)	1,437	1,622	1,622	-	-
In-Kind Contributions	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	39,046
Total revenues	9,182	9,182	18,364	1,511,915	1,511,915	108,735	340,640
Expenditures							
Salaries	3,159	-	3,159	473,470	473,470	48,979	16,470
Fringe Benefits	1,405	-	1,405	204,461	204,461	21,668	7,819
Contractual Services	-	-	-	228,888	228,888	2,398	301,113
Client Services/Program Costs	-	-	-	333,960	333,960	-	4,816
Travel	398	-	398	12,564	12,564	1,665	909
Training	305	-	305	4,545	4,545	5,737	-
Ads, Printing, Publications & Copies	15	-	15	2,235	2,235	403	217
Equipment Rent and Maintenance	1,460	-	1,460	2,651	2,651	105	-
Capital Outlay (Equipment)	-	-	-	1,622	1,622	-	-
Supplies and Postage	413	-	413	9,098	9,098	700	489
Phone	-	-	-	686	686	669	-
Dues and Registrations	44	-	44	5,458	5,458	792	-
Other Costs	75	-	75	25	25	-	-
Rent	-	-	-	23,311	23,311	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-
Debt Services-Principal	-	-	-	-	-	-	-
	7,274	-	7,274	1,302,974	1,302,974	83,116	331,833
Shared Costs Applied:							
Operational Costs	699	-	699	103,771	103,771	10,814	3,718
Indirect Administration Costs	516	-	516	76,645	76,645	7,987	2,745
Shared Costs	440	-	440	28,525	28,525	6,818	2,344
Total expenditures	8,929	-	8,929	1,511,915	1,511,915	108,735	340,640
Revenues over (under) expenditures	253	9,182	9,435	-	-	-	-
Other financing sources (uses):							
Operating transfers in (out)	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-
Net change in fund balances	253	9,182	9,435	-	-	-	-
Fund balances, beginning of year	76	418,272	418,348	-	-	-	-
Fund balances, end of year	<u>\$ 329</u>	<u>\$ 427,454</u>	<u>\$ 427,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	Title III-C1 Congregate Meals	Title III-C2 Home Delivered Meals	Title III-D Preventive Health	Title III-E Caregiver	Title VII Elder Abuse	Title VII Ombudsman	Nutrition Services Incentive Prog "NSIP"
Revenues							
Federal Revenue	\$ 286,740	\$ 171,743	\$ 20,562	\$ 120,399	\$ 2,948	\$ 7,116	\$ 77,620
State Revenue	20,869	46,239	-	40,836	920	1,256	-
Local Revenue	-	-	-	-	-	5	-
Program Income	35,027	20	-	45	-	-	-
Interest Income	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-
In-Kind Contributions	47,551	-	-	-	-	-	-
Contractor Cash Match	-	38,471	-	-	-	-	-
Total revenues	390,187	256,473	20,562	161,280	3,868	8,377	77,620
Expenditures							
Salaries	-	-	709	33,425	902	1,671	-
Fringe Benefits	-	-	179	15,828	412	780	-
Contractual Services	387,492	256,473	18,480	88,704	730	1,265	77,620
Client Services/Program Costs	-	-	-	473	-	-	-
Travel	-	-	85	458	-	198	-
Training	-	-	288	1,506	-	-	-
Ads, Printing, Publications & Copies	-	-	-	191	55	136	-
Equipment Rent and Maintenance	-	-	-	2,009	-	1,529	-
Capital Outlay (Equipment)	2,695	-	-	478	-	-	-
Supplies and Postage	-	-	-	347	1,254	1,847	-
Phone	-	-	-	-	-	-	-
Dues and Registrations	-	-	499	-	38	62	-
Other Costs	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-
Debt Services-Principal	-	-	-	-	-	-	-
	390,187	256,473	20,240	143,419	3,391	7,488	77,620
Shared Costs Applied:							
Operational Costs	-	-	136	7,540	201	375	-
Indirect Administration Costs	-	-	100	5,568	149	277	-
Shared Costs	-	-	86	4,753	127	237	-
Total expenditures	390,187	256,473	20,562	161,280	3,868	8,377	77,620
Revenues over (under) expenditures	-	-	-	-	-	-	-
Other financing sources (uses):							
Operating transfers in (out)	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	Kynector Project	Homecare Administration	Homecare Social Services	Homecare Home Delivered Meals	Adult Day Care Administration	Adult Day Care Services	KY Caregiver Support Administration	KY Caregiver Support Grandparent Services
Revenues								
Federal Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Revenue	-	98,074	622,835	179,083	6,928	48,138	12,226	137,927
Local Revenue	-	-	-	-	-	-	136	-
Program Income	-	-	2,106	-	-	584	-	-
Interest Income	-	-	-	-	-	-	-	-
Other Income	206,602	-	3,441	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-
Contractor Cash Match	-	-	58,388	26,795	-	2,254	-	-
Total revenues	206,602	98,074	686,770	205,878	6,928	50,976	12,362	137,927
Expenditures								
Salaries	96,876	48,498	79,995	-	3,284	244	6,405	27,501
Fringe Benefits	30,976	21,533	37,337	-	1,417	116	2,617	13,036
Contractual Services	-	235	506,172	205,878	499	50,454	-	-
Client Services/Program Costs	-	-	-	-	-	-	-	79,746
Travel	5,633	225	2,686	-	10	30	-	448
Training	106	6	811	-	-	-	-	493
Ads, Printing, Publications & Copies	1,153	146	685	-	7	1	6	62
Equipment Rent and Maintenance	-	1,824	7,967	-	-	-	-	1,395
Capital Outlay (Equipment)	-	-	3,440	-	-	-	-	-
Supplies and Postage	433	206	1,381	-	6	-	62	531
Phone	3,967	-	3,517	-	-	-	-	-
Dues and Registrations	38	4	150	-	-	-	-	15
Other Costs	276	-	80	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-
Debt Services-Principal	-	-	-	-	-	-	-	-
	139,458	72,677	644,221	205,878	5,223	50,845	9,090	123,227
Shared Costs Applied:								
Operational Costs	19,570	10,720	17,960	-	720	55	1,381	6,205
Indirect Administration Costs	14,455	7,918	13,265	-	531	41	1,020	4,583
Shared Costs	4,846	6,759	11,324	-	454	35	871	3,912
Total expenditures	178,329	98,074	686,770	205,878	6,928	50,976	12,362	137,927
Revenues over (under) expenditures	28,273	-	-	-	-	-	-	-
Other financing sources (uses):								
Operating transfers in (out)	(28,273)	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	CMS-SHIP	PCAP Administration	PCAP Subsidy & Coordination	LTADD Program Development & Implementation	ACA MIPPA/AAA	ACA MIPPA/SHIP ADRC	ACA MIPPA/SHIP Sept 30 thru June 30
Revenues							
Federal Revenue	\$ 40,867	\$ -	\$ -	\$ -	\$ 15,418	\$ 6,089	\$ 12,233
State Revenue	-	47,289	503,493	94,994	-	-	-
Local Revenue	-	262	-	-	32	-	-
Program Income	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Other Income	-	-	-	875	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-
Contractor Cash Match	-	-	1,214	-	-	-	-
Total revenues	40,867	47,551	504,707	95,869	15,450	6,089	12,233
Expenditures							
Salaries	234	23,927	-	47,119	-	-	177
Fringe Benefits	102	10,671	-	17,128	-	-	79
Contractual Services	39,245	-	504,707	-	15,450	5,679	11,697
Client Services/Program Costs	-	-	-	-	-	-	-
Travel	-	268	-	60	-	-	-
Training	-	-	-	688	-	-	-
Ads, Printing, Publications & Copies	31	49	-	66	-	-	1
Equipment Rent and Maintenance	-	-	-	5,162	-	98	-
Capital Outlay (Equipment)	-	-	-	1,353	-	-	-
Supplies and Postage	490	89	-	840	-	312	137
Phone	525	-	-	-	-	-	48
Dues and Registrations	-	-	-	28	-	-	-
Other Costs	120	-	-	126	-	-	-
Rent	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-
Debt Services-Principal	-	-	-	-	-	-	-
	40,747	35,004	504,707	72,570	15,450	6,089	12,139
Shared Costs Applied:							
Operational Costs	50	5,296	-	9,834	-	-	39
Indirect Administration Costs	38	3,912	-	7,264	-	-	30
Shared Costs	32	3,339	-	6,201	-	-	25
Total expenditures	40,867	47,551	504,707	95,869	15,450	6,089	12,233
Revenues over (under) expenditures	-	-	-	-	-	-	-
Other financing sources (uses):							
Operating transfers in (out)	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	Functional Assessment Service Team	State LTC Ombudsman	Home & Community Based CDO	Kentucky Elder Readiness Initiative	Senior Center Support	Service Providers & Elder Abuse Coalition	United Way - Nelson Co HDM	Prescription Assistance Program (KPAP)
Revenues								
Federal Revenue	\$ 1,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Revenue	-	34,954	1,753,218	-	-	-	-	53,257
Local Revenue	-	18	-	12	666	4,895	1,860	69
Program Income	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other Income	-	-	2,497	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	-	-
Total revenues	1,931	34,972	1,755,715	12	666	4,895	1,860	53,326
Expenditures								
Salaries	662	587	177,343	-	-	-	-	1,307
Fringe Benefits	297	263	82,050	-	-	-	-	578
Contractual Services	-	32,804	94,633	-	-	-	1,860	43,332
Client Services/Program Costs	-	-	1,248,529	-	-	-	-	-
Travel	-	73	6,146	-	-	-	-	610
Training	-	-	1,681	-	-	-	-	5,250
Ads, Printing, Publications & Copies	5	5	1,163	12	-	1,729	-	94
Equipment Rent and Maintenance	-	-	7,631	-	-	-	-	-
Capital Outlay (Equipment)	-	-	2,497	-	-	-	-	-
Supplies and Postage	618	-	4,659	-	666	290	-	1,471
Phone	-	314	-	-	-	-	-	-
Dues and Registrations	-	578	128	-	-	2,876	-	-
Other Costs	-	40	540	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-
Debt Services-Principal	-	-	-	-	-	-	-	-
	1,582	34,664	1,627,000	12	666	4,895	1,860	52,642
Shared Costs Applied:								
Operational Costs	147	130	39,705	-	-	-	-	289
Indirect Administration Costs	109	96	29,326	-	-	-	-	213
Shared Costs	93	82	25,035	-	-	-	-	182
Total expenditures	1,931	34,972	1,721,066	12	666	4,895	1,860	53,326
Revenues over (under) expenditures	-	-	34,649	-	-	-	-	-
Other financing sources (uses):								
Operating transfers in (out)	-	-	(34,649)	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS
BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2016

	SOCIAL SERVICES TOTAL	SPECIAL REVENUE FUND TOTAL - GRANTS MANAGEMENT BASIS	GENERAL FUND TOTAL GRANTS MANAGEMENT BASIS	SHARED COST ALLOCATION	GOVERNMENTAL FUNDS TOTAL - GRANTS MANAGEMENT (BUDGET) BASIS	GRANTS MANAGEMENT BASIS TO FUND BASIS CONVERSION	Governmental Funds Total (after conversion)
Revenues							
Federal Revenue	\$ 1,060,017	\$ 2,942,009	\$ 17,500	\$ -	\$ 2,959,509	\$ -	\$ 2,959,509
State Revenue	3,806,789	4,109,326	-	-	4,109,326	-	4,109,326
Local Revenue	7,955	108,488	42,742	-	151,230	-	151,230
Program Income	47,507	47,507	-	-	47,507	-	47,507
Interest Income	-	16,927	3,811	-	20,738	-	20,738
Other Income	213,415	218,096	37,180	-	255,276	-	255,276
In-Kind Contributions	47,551	47,551	-	-	47,551	-	47,551
Contractor Cash Match	166,168	166,168	-	-	166,168	-	166,168
Total revenues	5,349,402	7,656,072	101,233	-	7,757,305	-	7,757,305
Expenditures							
Salaries	616,315	1,402,175	37,693	319,708	1,759,576	(4,935)	1,754,641
Fringe Benefits	264,886	608,625	16,951	129,066	754,642	-	754,642
Contractual Services	2,646,920	2,986,983	-	27,901	3,014,884	-	3,014,884
Client Services/Program Costs	1,333,564	1,667,524	-	-	1,667,524	-	1,667,524
Travel	19,504	40,650	3,211	17,407	61,268	-	61,268
Training	16,566	24,300	292	1,580	26,172	-	26,172
Ads, Printing, Publications & Copies	6,217	12,681	14	6,488	19,183	-	19,183
Equipment Rent and Maintenance	27,720	39,294	862	12,962	53,118	-	53,118
Capital Outlay (Equipment)	10,463	13,707	-	-	13,707	86,402	100,109
Supplies and Postage	16,828	30,738	2,269	19,352	52,359	-	52,359
Phone	9,040	10,491	761	14,453	25,705	-	25,705
Dues and Registrations	5,208	16,142	13,516	22,414	52,072	-	52,072
Other Costs	1,182	2,002	27,454	25,164	54,620	(23,398)	31,222
Rent	-	23,311	-	93,086	116,397	-	116,397
Insurance & Bond Expense	-	-	-	15,104	15,104	-	15,104
Debt Services-Principal	-	-	-	-	-	1,048	1,048
	4,974,413	6,878,623	103,023	704,685	7,686,331	59,117	7,745,448
Shared Costs Applied:							
Operational Costs	134,885	307,755	8,404	(316,159)	-	-	-
Indirect Administration Costs	99,627	227,287	6,228	(233,515)	-	-	-
Shared Costs	77,555	149,565	5,446	(155,011)	-	-	-
Total expenditures	5,286,480	7,563,230	123,101	-	7,686,331	59,117	7,745,448
Revenues over (under) expenditures	62,922	92,842	(21,868)	-	70,974	(59,117)	11,857
Other financing sources (uses):							
Operating transfers in (out)	(62,922)	(62,922)	62,922	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	1,501	1,501
Net change in fund balances	-	29,920	41,054	-	70,974	(57,616)	13,358
Fund balances, beginning of year	-	397,863	1,576,118	-	1,973,981	(286,421)	1,687,560
Fund balances, end of year	\$ -	\$ 427,783	\$ 1,617,172	\$ -	\$ 2,044,955	\$ (344,037)	\$ 1,700,918

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2016

	CFDA Number	Grant Number	Federal Award Expended
U.S. Department of Commerce			
<u>Economic Development Administration</u>			
<u>Passed-through State Department: Economic Development Administration</u>			
Economic Development - Support for Planning Organizations	11.302	1600000672	\$63,000
<u>Direct Received Funds</u>			
Economic Adjustment Assistance	11.307	04-39-03494	327,815
<u>Passed-through Pennyrile Area Development District</u>			
Economic Adjustment Assistance - KY Agriculture Development Information System	11.307	n/a	28,412
			<u>356,227</u>
Total U.S. Department of Commerce			419,227
U.S. Department of Defense			
<u>Office of Economic Adjustment</u>			
<u>Direct Received Funds</u>			
Community Economic Adjustment Assistance for Reductions in Defense Spending	12.604	HQ00051510058	86,741
Total U.S. Department of Defense			86,741
U.S. Department of Housing and Urban Development			
<u>Office of Community Planning and Development</u>			
<u>Passed-through State Department: Community Planning and Development</u>			
Community Development Block Grant - JFA	14.228	1600000672	18,500
<u>Passed-through Local Sources</u>			
Community Development Block Grants - State Program	14.228	n/a	22,106
Total U.S. Department of Housing and Urban Development			40,606
U.S. Department of Labor			
<u>Employment and Training Administration</u>			
<u>Passed-through Kentucky Education Cabinet: Department for Workforce Investment</u>			
<u>Office of Employment & Training Administration</u>			
Trade Adjustment Assistance	17.245	205BE13	2,434
Trade Adjustment Assistance	17.245	205BE14	15,322
Trade Adjustment Assistance	17.245	205BE15	1,798
			<u>19,554</u>
<u>Office of Employment & Training Administration</u>			
WIA/WIOA Adult Program	17.258 a	270ADW5	863
WIA/WIOA Adult Program	17.258 a	273ADW5	139,266
WIA/WIOA Adult Program	17.258 a	273TR15	5,573
WIA/WIOA Adult Program	17.258 a	270AD16	53,930
WIA/WIOA Adult Program	17.258 a	273AD16	347,960
			<u>547,592</u>
<u>Office of Employment & Training Administration</u>			
WIA/WIOA Youth Activities	17.259 a	274YTW5	142,579
WIA/WIOA Youth Activities	17.259 a	274TR15	6,038
WIA/WIOA Youth Activities	17.259 a	274YT16	310,551
WIA/WIOA Youth Activities - Statewide Reserve Performance	17.259 a	274SRW5	2,050
WIA/WIOA Youth Activities - Statewide Reserve Incentive	17.259 a	274SR16	506
			<u>461,724</u>
<u>Office of Employment & Training Administration</u>			
WIOA National Emergency Grant - KCCGO!	17.277	258GO15	390
<u>Office of Employment & Training Administration</u>			
WIA/WIOA Dislocated Worker Formula Grants	17.278 a	271CMW4	10,472
WIA/WIOA Dislocated Worker Formula Grants	17.278 a	271RRW4	2,539
WIA/WIOA Dislocated Worker Formula Grants	17.278 a	271DWW5	325,003
WIA/WIOA Dislocated Worker Formula Grants	17.278 a	272DWW5	40,133
WIA/WIOA Dislocated Worker Formula Grants	17.278 a	271TR15	2,747
WIA/WIOA Dislocated Worker Formula Grants	17.278 a	271DW16	29,497
WIA/WIOA Dislocated Worker Formula Grants	17.278 a	272DW16	70,642
			<u>481,033</u>
<i>a - Department of Labor - Workforce Investment Act Cluster</i>			<u>1,490,349</u>
Total U.S. Department of Labor			1,510,293

See notes to Schedule of Expenditures of Federal Awards.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2016

	CFDA Number	Grant Number	Federal Award Expended
U.S. Department of Transportation			
<u>Federal Highway Administration</u>			
<u>Passed-through Kentucky Transportation Cabinet</u>			
Highway Planning and Construction:			
Metropolitan Planning Organization - Unified Planning Work Programs	20.205	1500003925	100,800
FY2016 Local Road Updates	20.205	1600000803	15,700
Metropolitan Planning Organization - Lincoln Heritage Scenic Byway	20.205	PO2 628 1600006008	1,918
			<u>118,418</u>
<u>Federal Transit Administration</u>			
<u>Passed-through Kentucky Transportation Cabinet</u>			
Metropolitan Transportation Planning - Section 5303	20.505	G04M603Z	6,628
Total U.S. Department of Transportation			<u><u>125,046</u></u>
Environmental Protection Agency			
<u>Office of Water</u>			
<u>Passed-through City of Lebanon</u>			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	n/a	9,315
Total Environmental Protection Agency			<u><u>9,315</u></u>
U.S. Department of Health and Human Services			
<u>Administration for Community Living</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Special Programs for the Aging:			
Title VII Elder Abuse Prevention	93.041	PON2 725 1400001073 5	2,948
Title VII Ombudsman Services	93.042	PON2 725 1400001073 5	7,116
Title III-D Disease Prevention-Health Promotion	93.043	PON2 725 1400001066 6	20,562
Title III-B Supportive Services	93.044 b	PON2 725 1400001066 6	244,573
Title III-C Nutrition Services	93.045 b	PON2 725 1400001066 6	499,465
Title III-E National Family Caregiver Support	93.052	PON2 725 1400001066 6	131,195
Nutrition Services Incentive Program (NSIP)	93.053 b	PON2 725 1600000226 1	77,620
			<u>821,658</u>
<u>b - Department of Health and Human Services - Aging Cluster</u>			
<u>Centers for Disease Control and Prevention</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Public Health Emergency Preparedness - Functional Assessment Service Teams	93.069	PON2 725 1400001163 3	1,931
<u>Administration for Community Living</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Medicare Enrollment Assistance Program - MIPPA AAA	93.071	PON2 725 1400001168 1	4,512
Medicare Enrollment Assistance Program - MIPPA AAA	93.071	PON2 725 1600000228 2	10,906
Medicare Enrollment Assistance Program - MIPPA ADRC	93.071	PON2 725 1400001168 1	790
Medicare Enrollment Assistance Program - MIPPA ADRC	93.071	PON2 725 1600000228 2	5,299
Medicare Enrollment Assistance Program - MIPPA SHIP	93.071	PON2 725 1600000228 2	12,233
			<u>33,740</u>
State Health Insurance Assistance Program	93.324	PON2 725 16000011808 1	9,656
			<u>43,396</u>
<u>Centers for Medicare and Medicaid Services</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
CMS Research, Demo. & Evaluations - Benefits Counseling	93.779	PON2 725 1400001161 3	31,211
Total U.S. Department of Health and Human Services			<u><u>1,060,017</u></u>
U.S. Department of Homeland Security			
<u>Flood Mitigation Assistance</u>			
<u>Pre-Disaster Mitigation</u>			
<u>Passed-through Kentucky Division of Emergency Management</u>			
Pre-Disaster Mitigation	97.047	PON2 095 1400002606 1	29,515
Total U.S. Department of Homeland Security			<u><u>29,515</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u><u>\$3,280,760</u></u></u>

See notes to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2016

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Lincoln Trail Area Development District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of 2CRF Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F - *Audit Requirements*. Therefore some amounts presented in this schedule may differ from amounts in or used in the preparation of the financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. 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.

Note 3 - Indirect Cost Rate

Lincoln Trail Area Development District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Revolving Loan Fund

The District administers a Revolving Loan Fund. The federal grant award dated October 3, 1987 was \$500,000. Loan values, RLF cash balance, current year administrative expenses and loans written off, in lieu of expenditures, are used in determining major program status, and are as follows:

Balance of RLF loans outstanding at year end	\$ 370,242
Cash and investment balance at year end	57,915
Administrative expenses paid out of RLF income during year	8,929
Unpaid principal of loans written off during the year	-
Total	<u>437,086</u>
Multiply federal share of RLF	75%
Federal expenditures for SEFA reporting	<u>\$ 327,815</u>

Note 5 - Data Universal Numbering System (DUNS) Number

The District is registered in Dun & Bradstreet's Data Universal Numbering System database under the name Lincoln Trail Area Development District. The DUNS number assigned to our organization is 07-102-3808

Note 6 - Reconciliation of Federal Revenue to Schedule of Expenditures of Federal Awards

Total Federal Revenue - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,959,509
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Amounts reported in the schedule of expenditures of federal awards are different because:

Economic Development Administration - Revolving Loan Fund program included on SEFA but has no current year revenue activity	327,815
Programs with timing differences in revenue/expenditure recognition for grant administration services passed through local sources:	
Community Development Block Grants - State program	(45,394)
Pre-Disaster Mitigation	29,515
EPA - Water State Revolving Funds	9,315
Total Expenditures of Federal Awards	<u>\$ 3,280,760</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2016

Notes to Schedule of Expenditures of Federal Awards, Continued

Note 4 - Sub-Recipients

Of the federal expenditures presented in the schedule, Lincoln Trail Area Development District provided federal awards to the following sub-recipients:

<u>Program Title</u>	<u>Sub Recipient</u>	<u>Amount Provided</u>
Aging		
Title III Planning & Admin	Dietary Consultants, Inc.	1,601
Title III-B Supportive Services	Central KY Community Action Council	41,499
Title III-B Supportive Services	Lifeline Homecare, Inc.	76,627
Title III-B Supportive Services	Legal Aid Society Inc.	13,899
Title III-B Supportive Services	Transit Authority of Central KY	40,496
Title III-C1 Nutrition Services	Central KY Community Action Council	260,960
Title III-C1 Nutrition Services	Dietary Consultants, Inc.	5,752
Title III-C2 Nutrition Services	Purfoods, LLC	171,743
Title III-D Health Prevention	Central KY Community Action Council	2,000
Title III-D Health Prevention	VNA Nazareth Home Health	16,480
Title III-E FCGP	Lifeline Homecare, Inc.	66,205
Nutrition Service Incentive Program	Central KY Community Action Council	77,620
Total Aging		774,882
Department of Defense		
Office of Economic Adjustment	Hardin County Chamber of Commerce	5,996
Office of Economic Adjustment	Heartland Communications Consultants, Inc	1,685
Office of Economic Adjustment	Thomas P. Miller and Associates, LLC	73,170
Total Department of Defense		80,851
Workforce Investment Act		
Adult	Alabama Wire Production	4,484
Adult	Brown's Heating & Air	8,607
Adult	Fuel Total Systems KY Corporation	2,890
Adult	Heartland Communication Consultants, Inc.	29,158
Adult	INOAC Automotive	12,285
Adult	Montebello Packaging, Inc.	4,154
Adult	The Gates Corporation	26,077
Adult	Tower International, Inc.	9,401
Adult	Toyotomi America Corporation	14,014
Dislocated Workers	Heartland Communication Consultants, Inc.	31,985
Dislocated Workers	Tower International, Inc.	10,941
Dislocated Workers	Toyotomi America Corporation	37,190
Youth	Heartland Communication Consultants, Inc.	37,701
Total Workforce Investment Act		228,887
Total Funds Passed Thru to Subrecipients		\$ 1,084,620

Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

KENNETH D. CLAUSON, CPA
SUSAN C. MOUSER, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Lincoln Trail Area Development District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LTADD's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LTADD'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 LTADD's internal control. Accordingly, we do not express an opinion on the effectiveness of LTADD'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 LTADD'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.



Certified Public Accountants

December 21, 2016

**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
Lincoln Trail Area Development District

Report on Compliance for Each Major Federal Program

We have audited Lincoln Trail Area Development District (LTADD)'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 LTADD's major federal programs for the year ended June 30, 2016. LTADD'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 LTADD'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 LTADD'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 LTADD's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of LTADD 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 LTADD'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 LTADD'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.



Certified Public Accountants

December 21, 2016

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS and PRIOR AUDIT FINDINGS**

Year Ended June 30, 2016

Section I - Summary of Auditor's Results*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness? 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 deficiency(ies) 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 section 200.516(a)? yes no

Identification of major programs:

Aging Cluster:

93.044 – Title III Supportive Services

93.045 – Title III Nutrition Services

93.053 – Nutrition Services Incentive Program

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

Auditee qualified as low-risk auditee? yes no**Section II - Financial Statement Findings**

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Prior Audit Findings

There were no prior audit findings.