

# **LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**

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## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2017**

**(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 Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2017, and the related notes to the 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 an opinion 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lincoln Trail Area Development District, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note P to the financial statements, net position at June 30, 2016, has been restated to correct a material misstatement. Our opinion is not modified with respect to this matter.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension schedules on pages 3 - 8 and 27 - 29 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 an opinion on the financial statements that collectively comprise LTADD's basic financial statements. The accompanying budgetary comparison schedule, 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 budgetary comparison schedule, 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 budgetary comparison schedule, 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 20, 2017, 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 20, 2017

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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, 2017. 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 provided to Kentucky counties of Breckinridge, Grayson, Hardin, LaRue, Marion, Meade, Nelson and Washington. 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 (\$398,019). The ending net position for the LTADD was (\$717,198). LTADD's total net position decreased by \$319,179, from this period last year. The significant reduction in net position is due to an increase in net pension liability of \$384,883 over the prior year balance of \$3,038,979 bringing the current year balance to \$3,423,862. In the prior year, net position decreased by \$142,967.

### 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 financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Readers are encouraged to read the notes to better understand the financial Statements.

### REQUIRED FINANCIAL STATEMENTS

Statement of Net Position – The Statement of Net Position includes all assets and liabilities and provides information about the nature of the amounts of investments in resources (assets) and the obligations to creditors (liabilities). The Statement of Net Position also provides the basis for assessing the liquidity and financial flexibility of the organization.

The Statement of Revenues, Expenses and Changes in Net Position – The Statement of Revenues, Expenses and Changes in Net Position identifies the revenues generated and the expenses incurred during the fiscal year. This statement categorizes all revenues and expenses as operating or non-operating activities.

The Statement of Cash Flows – The Statement of Cash Flows provides information relating to cash receipts and cash disbursements during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, financing and investing activities; and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2017

## FINANCIAL ANALYSIS OF LTADD AS A WHOLE

Table 1: Condensed Statements of Net Position

	2017	2016	Dollar Change	Percent Change
<b>Assets and Deferred Outflows</b>				
Current Assets	\$ 2,358,431	\$ 2,423,625	\$ -65,194	-2.69%
Capital Assets, Net	125,764	122,974	2,790	2.27%
Restricted Assets	410,452	397,001	13,451	3.39%
Deferred Outflows of Resources	744,695	579,135	165,560	28.59%
Total Assets & Deferred Outflows	<u>3,639,342</u>	<u>3,522,735</u>	<u>116,607</u>	<u>3.31%</u>
<b>Liabilities &amp; Deferred Inflows</b>				
Current Liabilities	785,907	732,251	53,656	7.33%
Long-term Liabilities	3,494,143	3,139,084	355,059	11.31%
Deferred Inflows	76,490	49,419	27,071	54.78%
Total Liabilities & Deferred Inflows	<u>4,356,540</u>	<u>\$3,920,754</u>	<u>435,786</u>	<u>11.11%</u>
<b>Net Position</b>				
Investment in Capital Assets	125,764	122,974	2,790	2.27%
Restricted for Revolving Loan Fund	410,452	396,298	14,154	3.57%
Unrestricted	-1,253,414	-917,291	-336,123	36.64%
Total Net Position	<u>\$ -717,198</u>	<u>\$ -398,019</u>	<u>\$ -319,179</u>	<u>80.19%</u>

LTADD's net position decreased approximately 80% for the year ended June 30, 2017. The FY17 ending ratio of current assets to current liabilities is a 3 times. Cash decreased by \$32,378, grant receivables increased by \$40,559, accounts payable decreased by \$21,654, funds due to grantor increased by \$21,072 and deferred revenue decreased by \$3,536 from the June 30, 2016 figures. At the end of the fiscal year, the LTADD has a negative balance in total net position due to recording our share of the pension liability.

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2017

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

	2017	2016	Dollar Change	Percent Change
<b>Operating Revenues</b>				
Federal Revenue	\$ 2,820,056	\$ 2,939,024	\$ -118,968	-4.05%
State Revenue	4,007,000	4,109,326	-102,326	-2.49%
In-Kind	51,253	166,168	-114,915	-69.16%
RLF – Loan Loss Allowance	5,086	-	5,086	100.00%
Other and Local Revenue	500,898	518,491	-17,593	-3.39%
<b>Total Operating Revenues</b>	<b>7,384,293</b>	<b>7,733,009</b>	<b>-348,716</b>	<b>-4.51%</b>
<b>Operating Expenses</b>				
Personnel	1,656,203	1,759,576	-103,373	-5.87%
Fringe Benefits	974,517	982,493	-7,976	-.81%
Contractual Services	2,879,047	3,014,884	-135,837	-4.51%
Client Services/Program Costs	1,766,713	1,667,524	99,189	5.95%
Other	437,681	487,197	-49,516	-10.16%
<b>Total Operating Expenses</b>	<b>7,714,161</b>	<b>7,911,674</b>	<b>-197,513</b>	<b>-2.50%</b>
<b>Operating Income</b>	<b>-329,868</b>	<b>-178,665</b>	<b>-151,203</b>	<b>-84.63%</b>
<b>Non-Operating Income</b>	<b>10,689</b>	<b>3,811</b>	<b>6,878</b>	<b>180.48%</b>
<b>Change in Net Position</b>	<b>-319,179</b>	<b>-174,854</b>	<b>-144,325</b>	<b>82.54%</b>
<b>Net Position, Beginning of Year Adjusted</b>	<b>-398,019</b>	<b>-223,165</b>	<b>-174,854</b>	<b>78.35%</b>
<b>Net Position, End of Year</b>	<b>\$ -717,198</b>	<b>\$ -398,019</b>	<b>\$ -319,179</b>	<b>80.19%</b>

Revenues:

LTADD recognized a \$348,716 or a 4.51% decrease in revenue in FY 2017 when compared to revenue recognized the FY 2016 period. The current year's decrease can be attributed an \$147,727 decrease in Social Services funding mainly due to the phase out of the Kentucky Health Exchange KYNECT program. We did experience a decrease of \$149,310 in Community Development due to the decreases in Joint Funding Administration and Kentucky Infrastructure Authority funding and the completion of the Agriculture and FEMA Pre-Disaster programs. We were able to reduce the estimated allowance for loan losses by approximately \$5,086 for a number of revolving loans that were either in default or delinquent in FY16.

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

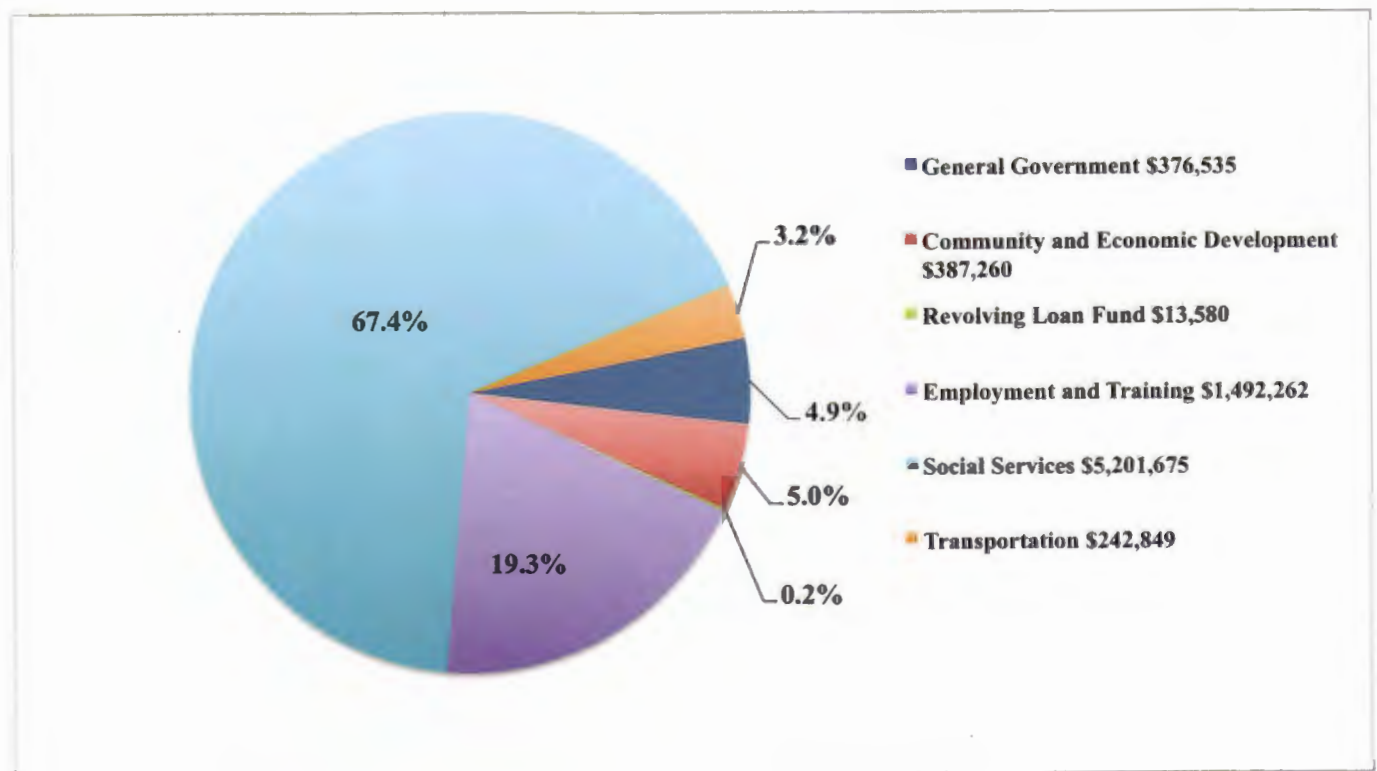
### MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2017

#### Expenses:

LTADD recognized a 2.5% decrease in expenses in FY17 over the prior period. The decreases in expenses were due to a number of Community Development and Aging programs that ended in FY16. Net position decreased to \$717,198 in the FY17 fiscal year. The change in net position decreased by \$319,179 in comparison to the prior year change in net position of -\$398,019. The decrease in net position was principally due to the increase in pension liability and deferrals.

LTADD expenses cover a range of services. The following pie chart outlines the percentages and amounts expended by activity. Social Services makes up about 67% of the expenditures; this is a decrease of .1% from last year's percentage of 67.5%. About 19% of expenditures were associated with Employment and Training activities, which is down 1.0% from its FY16 share.





## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2017

### BUDGETARY HIGHLIGHTS

LTADD had \$7,414,992 in revenues (budget basis) for FY17. This is a reduction of approximately \$342,383 or 4.4% 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 and serves as the original, legacy funding of all ADDs. The funding foundation and allocation structure of the JFA program had remained consistent since 1978. In FY17 we experienced a 33.8% or \$43,640 decrease in state general funds due to an improper application of the allocation structure enacted by the funding agency Commissioner at end of the second quarter of the fiscal year. The reallocation process resulted in a loss of \$51,204 federal and state funds in the JFA from budgeted FY16 figures we used for planning while waiting for our contract. The overall impact to the JFA resulted in a need to provide \$31,384 in General funds to ensure the JFA remained viable, yet still resulted in an overall deficit from FY 16 of \$20,985. There was a decrease in the Kentucky Infrastructure Authority (KIA) state-funded planning program of \$5,877 from the FY16 funding level. This reduction, as well as general underfunding of this program made it necessary to use \$13,030 in General funds to ensure completion of the grant agreement's scope of work. General funds applied to KIA increased by \$8,534 over General funds provided in FY16.
- LTADD had two CED projects end in FY16 causing a reduction in funds of \$82,114. The statewide Agriculture project funded by the State and the Economic Development Administration ended in FY16 causing a loss of revenue of \$32,114. The five-year required update for the Regional Pre-Disaster Mitigation Plan also closed out in FY16, which caused a decrease of \$50,000 in revenue in FY17.
- The overall Transportation Planning component of the LTADD (Metropolitan, Rural and other Transportation funds) saw an overall decrease in FY17 of \$13,657 in funds utilized. The major contributing factor to under utilization of funds was the loss of a Transportation Planner and the training of the new Planner. The impact of the search and training of the new Planner caused a decrease in all aspects of the Transportation Planning components including the Metropolitan Planning Organization (MPO) funding (\$6,234), Federal Transit Administration (\$3,018) and the Lincoln Heritage Scenic Byway programs (\$2,294). The only departmental increase came from the Local Centerline Road Updates (mapping) program where we experienced an increase of \$805 in General funds used to complete the scope of work. It must be noted LTADD used \$6,531 in local funds to ensure completion of the grant agreements' scope of work, as was required in the CED section.
- The overall decrease in the CED and Transportation department's revenue streams of \$143,254 is the direct result of the cessation of two programs and insufficient federal and state funds to support the CED mission and required scope of work. Maintaining programmatic consistency was only accomplished with an infusion of \$56,160 in unplanned use of 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. The unjustified cuts in the JFA grant agreement were largely responsible for the use of local funds.
- **WORKFORCE INVESTMENT** – The programs of the Workforce Innovation and Opportunity Act (WIOA) performed by the LTADD Employment and Training Department accounted for a 1.3% decrease in revenues from the prior period. As in the past, the impact was due to some reductions in funds received in prior years from the US Department of Labor (DOL). Due to underspent Youth funds, LTADD had to return \$7,624 in Youth Admin funds; the shortfall in Admin funds was covered by General funds. The LTADD will have \$1,981,470 in carryover funds. The decrease in traditional WIOA funds and other employment and training revenues totaled \$19,653 as compared to the FY 16 WIOA funding levels.

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2017

- **SOCIAL SERVICES** – Kentucky's Area Development District's (ADDs) social services funding levels were again somewhat stable with exception of the end of the Kentucky Health Benefit Exchange (KYNECT) program and the infusion of General funds into the Home & Community Based Participant Directed Services (PDS) (formerly known as the Consumer Directed Option (CDO)) program due to a reduction of \$40 in our reimbursement rate per client. Kentucky's traditional aging 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 for core mission Social Services funds remained stable when compared to FY16 funding levels. As noted above, the PDS program saw an increase in revenues of \$78,038, of which \$62,809 of the increase was due to an influx of LTADD General funds. The KYNECT program, which phased out in FY17, saw a revenue decrease of \$158,292 from FY16 funding levels. The overall department impact due to funding shifts, increases and KYNECT ending was a reduction of \$147,727 in revenues available for services.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At year-end 2017, LTADD had invested \$481,509 in capital assets, including vehicles, office furniture, office equipment and computers. Overall, investment in capital assets decreased by \$42,072 from last year. More detailed information about LTADD's capital assets is presented in Note F to the financial statements.

#### Long-term Debt

At year-end 2017, LTADD had \$2,027 in outstanding debt – a decrease of 34.1% from last year's figure. More detailed information about LTADD's long-term liabilities is presented in Note H to the financial statements.

### NEXT YEAR'S BUDGETS

LTADD's FY 2018 budget was based on actual information received from the federal, state and local government contracts as of August 2017. Revenues and expenditures were budgeted at \$8,136,585, which is approximately a 9% increase from the FY 2017 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, 2017

**ASSETS****Current Assets:**

Cash and cash equivalents	\$ 1,130,776
Grant receivables	1,173,922
Other receivables	45,946
Prepaid expenses	7,787
Total current assets	<u>2,358,431</u>

Capital assets, net of depreciation	<u>125,764</u>
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**Restricted Assets:**

Cash – Revolving Loan Fund	97,177
Revolving loan fund receivables, net of allowance	313,275
Total restricted assets	<u>410,452</u>

<b>Total Assets</b>	<b><u>2,894,647</u></b>
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**Deferred Outflows of Resources:**

Deferred outflows related to pension	<u>744,695</u>
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**LIABILITIES****Current Liabilities:**

Accounts payable	319,834
Advances from grantors	197,504
Unearned grant revenue due to grantor	89,237
Accrued wages	125,263
Payroll withholdings and accruals	17,536
Compensated absences, current	34,506
Revolving loans payable	2,027
Total current liabilities	<u>785,907</u>

**Noncurrent Liabilities:**

Compensated absences, net of current portion	70,281
Net pension liability	3,423,862
Total noncurrent liabilities	<u>3,494,143</u>

<b>Total Liabilities</b>	<b><u>4,280,050</u></b>
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**Deferred Inflows of Resources:**

Deferred inflows related to pension	30,608
Deferred revenue	45,882
Total deferred inflows of resources	<u>76,490</u>

**Net Position:**

Net investment in capital assets	125,764
Restricted for Revolving Loan Fund	410,452
Unrestricted	<u>-1,253,414</u>

<b>Total Net Position</b>	<b><u>\$ -717,198</u></b>
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See notes to financial statements.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2017

<b>Operating Revenues:</b>	
Federal revenue	\$ 2,820,056
State revenue	4,007,000
Local revenue	162,233
Cash match	167,912
Program income	113,730
Interest income	15,165
Other income	41,858
In-kind contributions	51,253
RLF loan loss allowance	5,086
<b>Total Revenues</b>	<u>7,384,293</u>
<b>Operating Expenses:</b>	
Personnel	1,656,203
Fringe benefits	974,517
Contractual services	2,879,047
Client services/program costs	1,766,713
Other costs	396,165
Depreciation	41,516
<b>Total Expenses</b>	<u>7,714,161</u>
Operating Income (Loss)	<u>-329,868</u>
<b>Non-Operating Income:</b>	
Interest Income	3,450
Gain on sale of assets	7,239
<b>Total Non-Operating Income</b>	<u>10,689</u>
<b>Change in net position</b>	<u>-319,179</u>
Net Position, Adjusted Beginning of Year	<u>-398,019</u>
Net Position, End of Year	<u><u>\$ -717,198</u></u>

See notes to financial statements.

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from federal & state grants	\$ 6,804,033
Other cash receipts	401,184
Payments for employee services and benefits	-2,427,166
Payments to contractor, suppliers & others	-4,775,763
Net cash provided by operating activities	<u>2,288</u>

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

Principal payments on long-term debt	<u>-1,049</u>
Net cash used in capital and related financing activities	<u>-1,049</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of capital assets	-45,217
Interest income	3,450
Proceeds from sale of assets	<u>8,150</u>
Net cash used in investing activities	<u>-33,617</u>

Net decrease in cash and cash equivalents	-32,378
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Cash and cash equivalents, beginning of year	<u>1,260,331</u>
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,227,953</u></u>
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**Reconciliation of operating income to net cash provided by operating activities:**

Operating income (loss)	\$ -329,868
Adjustment to reconcile change in net position to net cash used in operating activities:	
Bad debt allowance	-5,086
Depreciation	41,516
Change in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	-27,690
Prepaid expenses	21,244
Revolving loan fund receivables	30,897
Increase (decrease) in liabilities:	
Accounts payable	-21,654
Unearned grant revenue due to grantor	17,536
Accrued wages	12,442
Payroll withholdings and accrued liabilities	6,310
Compensated absences	6,710
Net pension liability and deferrals	249,931
Net cash provided by operating activities	<u><u>\$ 2,288</u></u>

**Noncash activities**

In-kind utilized in program services	\$ 51,253
Cash paid for interest	21
Total Noncash activities	<u><u>\$ 51,274</u></u>

See notes to financial statements.

# LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### 1. SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES

The financial statement of Lincoln Trail Area Development District (LTADD) (the "District") have been prepared in accordance with accounting principals generally accepted in the United State of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant polices.

#### NOTE A – REPORTING ENTITY

The Lincoln Trail Area Development District is a governmental nonprofit corporation formed pursuant to Kentucky Revised Statue (KRS) 147A, and has been designated as a special purpose governmental entity under KRS65A enacted under 2014 House Bill No. 1. As an Area Development District, LTADD 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. 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 – The financial statements are presented in accordance with accounting principals generally accepted in the United State of America, using the economic resources measurement focus and the accrual basis of accounting. In accordance with Governmental Accounting Standards Board (GASB) Codification Sp20, *Special Purpose Governments*, LTADD's financial statement presentation is that prescribed for a special purpose government.
- (2) Basis of Accounting – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made and the measurements focus applied. The financial statements are prepared using the full accrual basis of accounting.

Revenue Recognition – The District recognizes revenue on the accrual basis of accounting. Grant revenue is recognized to the extent that expenditures are incurred in the manner specified by the grants and matching requirements are met. Revenue is recognized on performance contracts upon the completion of agreed upon services. The District does not carry an allowance for doubtful accounts for grant and other receivables; because it believes all receivables are collectible. Alternatively, the District writes off grants and other receivables at the time it is determined they cannot be collected.

In-Kind Revenues – In-Kind contributions included on the accompanying financial statements consist of donated volunteer time, facilities or services.

Non-Operating Income – The District recognizes investment income and the sale of capital assets as non-operating income. All other income is recognized as operating income.

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.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Unearned Grant Revenue – 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.

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.

- (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 considers all unrestricted cash on hand, demand deposits and certificates of deposit to be 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 may be increased or decreased by the provision for loan losses and reduced by net charge-offs.
- (6) Capital Assets – 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) Pension – For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pension, pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirement. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.
- (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. A summary of the cost allocation methodology begins on page 23 in Note O. A schedule of shared costs for FY17 is on page 31.

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

(10) Net Position Classification – 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.

(11) Subsequent Events – Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements are available to be issued.

(12) 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.

(13) Change in Financial Reporting – For the year ended June 30, 2017 the District adopted a new financial reporting framework. Per State of Kentucky guidance, the District now reports operations in accordance with GASB Codification Sp20 as prescribed for a special purpose government.

(14) Recently Issued Accounting Standards – The following recently issued accounting standards are expected to impact the financial statements of the District in future periods.

*GASBS No.75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

In June of 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB) provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures, as well as the related required disclosures and required supplementary information. The Statement is effective for fiscal years beginning after July 15, 2017. LTADD is currently evaluating the impact that the standard will have on its financial statements.

*GASBS No. 87 Leases*

In June of 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 to improve accounting and financial reporting for leases by governments, by establishing standards for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources. The Statement is effective for reporting period beginning after December 15, 2019. LTADD is currently evaluating the impact that the standard will have on its financial statements.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE C – 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.

The district's policy is to have all deposits covered by depository insurance or secured by pledged securities. At June 30, 2017, the carrying amounts of the District's deposits were \$1,227,953 and the bank balances were \$1,346,561, of which \$1,096,561 was covered by federal depository insurance or by collateral held by the pledging financial institution in the District's name.

**NOTE D – 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, 2017 consisted of the following:

FY'17	
Kentucky Infrastructure Authority	\$ 39,560
Cabinet for Heath & Family Services – Aging	576,193
Prescription Assistance Program	12,152
KY Joint Funding Agreement	39,853
KY Transportation Cabinet	43,241
Office of Economic Adjustment	18,374
Division of Aging Services – Participant Directed Services	241,480
KY Cabinet for Workforce Development	203,069
	<u>\$ 1,173,922</u>

**NOTE E – 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, 2017, there were eight active loans with an outstanding principal balance of \$339,345. An allowance of \$26,070 is carried on one delinquent loan at June 30, 2017.

The revolving loan fund receivables at June 30, 2017, are summarized as follows:

Principal balance of loans outstanding	\$ 339,345
Allowance for loan losses	<u>-26,070</u>
Revolving loan fund receivables, net of allowance	<u>\$ 313,275</u>

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

Estimated allowance for loan losses, June 20, 2016	\$ 31,156
Recoveries of loans previously reserved	-
Provisions for the year	<u>-5,086</u>
Estimated allowance for loan losses, June 30, 2017	<u>\$ 26,070</u>



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE E – REVOLVING LOAN FUND RECEIVABLES, Continued**

Recoveries and provisions are recorded in the statement of net position. There were no recoveries of loans previously written off for the year ended June 30, 2017. 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 F – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Vehicles and Equipment	\$ 298,737	\$ 41,050	\$ 64,512	\$ 275,275
Equipment - Grant Purchased	224,844	4,167	22,777	206,234
<b>Total Costs</b>	<b>523,581</b>	<b>45,217</b>	<b>87,289</b>	<b>481,509</b>
Less Accumulated Depreciation				
Vehicles and Equipment	223,790	24,114	64,512	183,392
Equipment - Grant Purchased	176,817	17,402	21,866	172,353
<b>Total Accumulated Depreciation</b>	<b>400,607</b>	<b>41,516</b>	<b>86,378</b>	<b>355,745</b>
<b>Net Capital Assets</b>	<b>\$ 122,974</b>	<b>\$ 3,701</b>	<b>\$ 911</b>	<b>\$ 125,764</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 24,114
Community & economic development	2,099
Revolving loan fund	-
Employment and training	7,184
Social services	7,855
Transportation	264
<b>Total depreciation expense</b>	<b>\$ 41,516</b>

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE G – UNEARNED GRANT REVENUE DUE TO GRANTOR**

At June 30, 2017 unearned grant revenue of \$89,237 includes revenues received but not earned, from District grant agreements, and is as follows:

<b>Contract/Billing Name</b>	<b>FY17 Revenue Received</b>	<b>FY17 Expenditures</b>	<b>Amount Due to Grantor</b>
FY07 and prior - all sources	\$ -	\$ -	\$ 5,409
FY08			
Kentucky Infrastructure Authority	-	-	25,877
FY09			
Kentucky Infrastructure Authority	-	-	238
DOE-JAG	-	-	2,465
Participant Directed Services	-	-	5,090
FY10			
Kentucky Infrastructure Authority	-	-	715
DOE-JAG	-	-	56
Participant Directed Services	-	-	18,550
Kentucky Prescription Assistance Program	-	-	25
FY11			
Kentucky Prescription Assistance Program	-	-	4
FY12			
Kentucky Prescription Assistance Program	-	-	1,938
Workforce Innovation & Opportunity 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			
Kentucky Prescription Assistance Program	-	-	3,212
FY17			
Title III Aging Planning & Admin	112,795	112,570	225
Title III-E Caregiver	142,217	142,212	5
Homecare	1,132,404	1,119,863	12,541
KY Caregiver Support - Grandparent	39,981	39,663	318
Personal Care Attendant Program	47,071	47,035	36
State LTC Ombudsman	35,114	34,363	751
Workforce Innovation & Opportunity Act	-	-	7,625
			<u>\$ 89,237</u>

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE H – LONG-TERM LIABILITIES**

A summary of the changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments/ Reductions</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Compensated absences	\$ 98,077	\$ 6,710	\$ -	\$ 104,787	\$ 34,506
Revolving Loans Payable - KHC	3,076	-	1,049	2,027	2,027
Net Pension Liability	3,038,979	384,883	-	3,423,862	-
<b>Total Long-Term Liabilities</b>	<b>\$3,140,132</b>	<b>\$ 391,593</b>	<b>\$ 1,049</b>	<b>\$3,530,676</b>	<b>\$ 36,533</b>

Additions and reductions to compensated absences represent the net change in compensated absences for the fiscal year. Additions to long-term debt of \$384,883 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 (KHC), 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 KHC loans were fully repaid on July 31, 2017.

**NOTE I – 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 positions of each participating county, city, 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](http://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.

Effective March 26, 2013 the General Assembly created a new law to govern how cost-of-living adjustments COLAs will be granted. Language included in Session Bill No. 2 during the 2013 Regular Session says COLAs will be granted in the future if the KRS Board determines that assets of the system are greater than 100% of the actuarial liabilities and legislation authorized the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA or directs the payment of fund in the year the COLA is provided.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE I – DEFINED BENEFIT PENSION PLAN, Continued**

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, 2017, total employer contributions for the District were \$291,902 based on a rate of 18.68% for Non-Hazardous members through covered payroll. The contribution rate of 18.68% for Non-Hazardous is comprised of amounts for pension and insurance benefits; 13.95% or \$217,963 was dedicated for pensions and 4.73% or \$73,939 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, 2017, the District reported a liability of \$3,423,862 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the District's proportion was 0.069540 percent, a decrease of .001142 percent from its proportion measured as of June 30, 2015, of .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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,948	\$ -
Changes of assumptions	181,378	-
Net differences between projected and actual earnings on plan investments	321,878	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,528	30,608
Employer contributions subsequent to the measurement date	217,963	-
Total	<u>\$ 744,695</u>	<u>\$ 30,608</u>

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE I – DEFINED BENEFIT PENSION PLAN, Continued**

The \$217,963 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, 2018. Other amounts reported as deferred outflows/inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2018	\$ 184,285
2019	123,291
2020	120,085
2021	68,463
Total	<u>\$ 496,124</u>

For the year ended June 30, 2017, the District recognized pension expense of \$467,894.

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

- Valuation date – June 30, 2016
- 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

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 December 3, 2015. 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 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.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE I – DEFINED BENEFIT PENSION PLAN, Continued**

**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 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 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.

**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%)
\$ 4,266,714	\$ 3,423,862	\$ 2,701,411

**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.



# **LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS, Continued**

June 30, 2017

### **NOTE J – DEFERRED COMPENSTATION**

The District offers its employees a deferred compensation plan created 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 K – 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 \$39,216 for the year ended June 30, 2017.

### **NOTE L – 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 accrual basis of accounting reported in the financial statements. The amounts reported are reconciled as follows:

Grants Management (Budget) Basis Revenues	\$ 7,390,807
Basis in capital assets sold	-911
Change in RLF loan loss allowance	5,086
Financial Statement Revenues	<u>\$ 7,394,982</u>
Grants Management (Budget) Basis Expenditures	\$ 7,450,995
Change in pension liability and deferrals not recognized in budget basis	249,931
Depreciation expense on grant purchased assets	17,402
Current year grant purchased capital assets expensed in budget basis	-4,167
Financial Statement Expenditures	<u>\$ 7,714,161</u>

### **NOTE M – 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 N – CONCENTRATION OF RISK**

During the year ended June 30, 2017, the District received approximately 99% 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

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

#### NOTE N – CONCENTRATION OF RISK, Continued

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 O – 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 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 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.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

- 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.
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



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2017

**NOTE O – COST ALLOCATION METHODOLOGY, Continued**

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 Innovation and Opportunity Act case management and off site Cumberland Board Support 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 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 increases/decreases in charges to the pool and due to the variable nature of employee salaries

**LINCOLN TRAIL AREA DEVELOPMENT DISTRICT****NOTES TO FINANCIAL STATEMENTS, Continued**

June 30, 2017

**NOTE O – COST ALLOCATION METHODOLOGY, Continued**

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.

**NOTE P – RESTATEMENT OF BEGINNING NET PENSION**

Beginning net position has been increased by \$188,712 to correct prior year reporting of deferred pension outflows and deferred pension inflows. To correct this reporting, beginning net position of -\$586,731, as originally reported, has been increased to -\$398,019.



## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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

Year Ended June 30, 2017

Last 10 Years\*

	2017	2016	2015
Proportion of net pension liability	.069540%	0.070682%	0.070132%
Proportionate share of the net pension liability	\$ 3,423,862	\$ 3,038,979	\$ 2,275,000
Covered - employee payroll	\$ 1,562,646	\$ 1,658,723	\$ 1,644,544
Proportionate share of the net pension liability as a percentage of covered payroll	219.11%	183.21%	138.34%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

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

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## SCHEDULE OF CONTRIBUTIONS

Year Ended June 30, 2017

Last 10 Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 217,963	\$ 206,015	\$ 214,320
Contributions in relation to the actuarially determined contribution	<u>(217,963)</u>	<u>(206,015)</u>	<u>(214,320)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,562,646	\$ 1,658,723	\$ 1,644,544
Contributions as a percentage of covered employee payroll	13.95%	12.42%	13.03%

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



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

Year Ended June 30, 2017

*Changes of Benefit Terms:*

None

*Changes of Assumptions:*

None

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Original and Final Budget	Actual Amounts
<b>Revenues:</b>		
Federal revenue	\$ 3,023,754	\$ 2,820,056
State revenue	4,298,044	4,007,000
Local revenue	201,609	162,233
Cash match	120,857	167,912
Program income	29,975	113,730
Interest income	22,175	18,615
Other income	93,120	41,858
In-kind contributions	51,695	51,253
Proceeds from sale of assets	--	8,150
<b>Total Revenues</b>	<b>7,841,229</b>	<b>7,390,807</b>
<b>Expenditures:</b>		
Salaries	1,780,235	1,656,203
Fringe	792,388	724,586
Contractual services	3,092,480	2,879,047
Client services/Program costs	1,660,963	1,766,713
Travel	82,933	56,527
Training	21,192	22,526
Ads, printing, publishing, and copies	16,720	16,247
Equipment rent and maintenance	51,904	43,315
Grant purchased equipment	1,700	4,167
Supplies and postage	54,550	41,571
Phone	23,573	22,714
Dues, conferences and meeting costs	51,740	56,255
Other costs	75,681	29,588
Rent	119,000	115,697
Insurance	16,170	15,839
<b>Total Expenditures</b>	<b>7,841,229</b>	<b>7,450,995</b>
<b>Excess Revenues over (under) Expenditures</b>	<b>\$ 0</b>	<b>\$ -60,188</b>

Note A: The LTADD budget is prepared on the grants management basis of accounting as approved by the Board of Directors.

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## SCHEDULE OF SHARED COSTS

Year Ended June 30, 2017

	<u>Operational</u>	<u>Indirect</u>	<u>Common</u>	<u>Total</u>
Salaries	\$ 202,067	\$ 101,016	\$ 43,518	\$ 346,601
Fringe Benefits	89,450	34,216	19,673	143,339
Contractual Services	8,862	18,983	-	27,845
Travel	8,910	336	525	9,771
Training	1,063	-	-	1,063
Ads, Printing, Publications & Copies	988	773	1,640	3,401
Equipment Rent & Maintenance	2,367	5,176	3,846	11,389
Supplies & Postage	6,390	1,651	5,324	13,365
Phone	13,330	40	429	13,799
Dues, Conferences & Meeting Costs	18,209	2,464	-	20,673
Other Costs	2,203	423	11	2,637
Depreciation	17,685	-	6,429	24,114
Rent	12,811	7,287	71,165	91,263
Insurance & Bond Expenses	14,427	1,412	-	15,839
	<u>\$ 398,762</u>	<u>\$ 173,777</u>	<u>\$ 152,560</u>	<u>\$ 725,099</u>



# LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## COMBINING SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2017

	Joint Funding Agreement	Kentucky Infrastructure Authority	DOD - Office of Economic Adjustment	Regional SPGE Technical Assistance	COMMUNITY & ECONOMIC DEVELOPMENT TOTAL	KTC Regional Transportation	KTC Metropolitan Planning Organization
<b>Revenues</b>							
Federal Revenue	\$ 73,936	\$ -	\$ 85,696	\$ -	\$ 159,632	\$ -	\$ 102,803
State Revenue	90,477	79,120	-	4,080	173,677	78,066	6,425
Local Revenue	31,383	13,030	9,524	-	53,937	11,767	19,276
Program Income	-	-	-	-	-	-	-
Interest Income	-	-	14	-	14	-	-
Other Income	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
RLF Loan Loss Allowance	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>195,796</b>	<b>92,150</b>	<b>95,234</b>	<b>4,080</b>	<b>387,260</b>	<b>89,833</b>	<b>128,504</b>
<b>Expenditures</b>							
Personnel	94,030	41,663	4,092	2,006	141,791	41,081	60,981
Fringe Benefits	42,631	18,890	1,851	910	64,282	18,628	27,649
Contractual Services	-	-	84,075	-	84,075	-	-
Client Services/Program Costs	-	-	-	-	-	-	-
Travel	1,187	2,232	2,575	-	5,994	1,057	179
Training	64	250	-	-	314	842	1,116
Ads, Printing, Publications & Copies	248	115	14	-	377	909	561
Equipment Rent and Maintenance	780	2,805	-	-	3,585	1,380	1,796
Grant Purchased Equipment	-	-	-	-	-	-	-
Supplies and Postage	522	650	-	-	1,172	173	64
Telephone	604	-	-	-	604	-	-
Dues and Registrations	1,187	1,379	255	-	2,821	1,792	785
Other Costs	-	-	-	-	-	143	-
Depreciation	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>141,253</b>	<b>67,984</b>	<b>92,862</b>	<b>2,916</b>	<b>305,015</b>	<b>66,005</b>	<b>93,131</b>
<b>Shared Costs Applied</b>							
Operational Costs	28,820	12,770	1,254	615	43,459	12,592	18,691
Indirect Administration Costs	12,560	5,565	546	268	18,939	5,487	8,146
Shared Costs	13,163	5,831	572	281	19,847	5,749	8,536
<b>Total Expenditures</b>	<b>195,796</b>	<b>92,150</b>	<b>95,234</b>	<b>4,080</b>	<b>387,260</b>	<b>89,833</b>	<b>128,504</b>
Revenues over (under) expenditures	-	-	-	-	-	-	-
Other financing sources (uses):							
Operating transfers in (out)	-	-	-	-	-	-	-
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, 2017

	Federal Transit Administration	Lincoln Heritage Scenic Byway (Signage)	KTC FY17 Local Road Updates - Centerline	TRANSPORTATION TOTAL	EDA RLF Administration	RLF - EDA	REVOLVING LOAN FUND TOTAL
<b>Revenues</b>							
Federal Revenue	\$ 4,214	\$ -	\$ 15,700	\$ 122,717	\$ -	\$ -	\$ -
State Revenue	-	-	-	84,491	-	-	-
Local Revenue	1,053	104	3,441	35,641	5,112	-	5,112
Program Income	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	15,151	15,151
Other Income	-	-	-	-	8,140	(7,011)	1,129
In-Kind Contributions	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
RLF Loan Loss Allowance	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>5,267</b>	<b>104</b>	<b>19,141</b>	<b>242,849</b>	<b>13,252</b>	<b>8,140</b>	<b>21,392</b>
<b>Expenditures</b>							
Personnel	2,486	-	9,464	114,012	5,379	-	5,379
Fringe Benefits	1,127	-	4,202	51,606	2,434	-	2,434
Contractual Services	-	-	-	-	-	-	-
Client Services/Program Costs	-	-	-	-	-	-	-
Travel	-	-	20	1,256	404	-	404
Training	-	-	-	1,958	46	-	46
Ads, Printing, Publications & Copies	-	104	-	1,574	76	-	76
Equipment Rent and Maintenance	210	-	-	3,386	1,836	-	1,836
Grant Purchased Equipment	-	-	-	-	-	-	-
Supplies and Postage	2	-	-	239	110	-	110
Telephone	-	-	-	-	-	-	-
Dues and Registrations	-	-	-	2,577	101	-	101
Other Costs	-	-	-	143	75	-	75
Depreciation	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-
	<b>3,825</b>	<b>104</b>	<b>13,686</b>	<b>176,751</b>	<b>10,461</b>	<b>-</b>	<b>10,461</b>
<b>Shared Costs Applied</b>							
Operational Costs	762	-	2,907	34,952	1,647	-	1,647
Indirect Administration Costs	332	-	1,244	15,209	718	-	718
Shared Costs	348	-	1,304	15,937	754	-	754
<b>Total Expenditures</b>	<b>5,267</b>	<b>104</b>	<b>19,141</b>	<b>242,849</b>	<b>13,580</b>	<b>-</b>	<b>13,580</b>
Revenues over (under) expenditures	-	-	-	-	(328)	8,140	7,812
Other financing sources (uses):							
Operating transfers in (out)	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	(328)	8,140	7,812
Fund balances, beginning of year	-	-	-	-	328	427,454	427,782
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,594</u>	<u>\$ 435,594</u>

# LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

## COMBINING SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2017

	Workforce Innovation & Opportunity Act	EMPLOYMENT & TRAINING TOTAL	Title III Aging Planning & Administration	Title III-B Support Services	Title III-C1 Congregate Meals	Title III-C2 Home Delivered Meals	Title III-D Preventive Health	Title III-E Caregiver
<b>Revenues</b>								
Federal Revenue	\$ 1,484,638	\$ 1,484,638	\$ 75,562	\$ 219,412	\$ 266,550	\$ 159,280	\$ 18,521	\$ 104,507
State Revenue	-	-	37,008	160,219	65,586	2,116	-	37,701
Local Revenue	7,624	7,624	-	-	-	-	-	-
Program Income	-	-	-	7,557	43,520	140	-	5
Interest Income	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	51,253	-	-	-
Contractor Cash Match	-	-	-	59,072	-	28,607	-	-
Sale of Assets	-	-	-	-	-	-	-	-
RLF Loan Loss Allowance	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>1,492,262</b>	<b>1,492,262</b>	<b>112,570</b>	<b>446,260</b>	<b>426,909</b>	<b>190,143</b>	<b>18,521</b>	<b>142,213</b>
<b>Expenditures</b>								
Personnel	415,978	415,978	48,644	15,452	-	-	6,882	29,832
Fringe Benefits	180,814	180,814	21,773	7,458	-	-	3,102	14,368
Contractual Services	224,796	224,796	2,817	408,357	426,198	190,143	2,255	77,221
Client Services/Program Costs	395,584	395,584	-	5,175	711	-	-	-
Travel	13,491	13,491	1,970	627	-	-	1,222	573
Training	5,342	5,342	3,952	-	-	-	471	897
Ads, Printing, Publications & Copies	2,399	2,399	1,286	29	-	-	-	267
Equipment Rent and Maintenance	2,434	2,434	-	-	-	-	-	-
Grant Purchased Equipment	1,227	1,227	623	-	-	-	-	182
Supplies and Postage	6,983	6,983	786	18	-	-	380	1,204
Telephone	849	849	616	-	-	-	6	-
Dues and Registrations	7,721	7,721	1,877	-	-	-	218	29
Other Costs	-	-	121	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Rent	24,434	24,434	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-
	<b>1,282,052</b>	<b>1,282,052</b>	<b>84,465</b>	<b>437,116</b>	<b>426,909</b>	<b>190,143</b>	<b>14,536</b>	<b>124,573</b>
<b>Shared Costs Applied</b>								
Operational Costs	125,857	125,857	14,850	4,832	-	-	2,106	9,322
Indirect Administration Costs	54,848	54,848	6,471	2,106	-	-	918	4,062
Shared Costs	29,505	29,505	6,784	2,206	-	-	961	4,256
<b>Total Expenditures</b>	<b>1,492,262</b>	<b>1,492,262</b>	<b>112,570</b>	<b>446,260</b>	<b>426,909</b>	<b>190,143</b>	<b>18,521</b>	<b>142,213</b>
Revenues over (under) expenditures	-	-	-	-	-	-	-	-
Other financing sources (uses):								
Operating transfers in (out)	-	-	-	-	-	-	-	-
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, 2017

	Title VII Elder Abuse	Title VII Ombudsman	Nutrition Services Incentive Prog "NSIP"	Kynector Project	Homecare Administration	Homecare Social Services	Homecare Home Delivered Meals	KY Caregiver Support Administration
<b>Revenues</b>								
Federal Revenue	\$ 3,555	\$ 4,619	\$ 73,616	\$ -	\$ -	\$ -	\$ -	\$ -
State Revenue	1,160	1,267	-	-	119,151	750,653	167,964	3,940
Local Revenue	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	1,842	20	-
Interest Income	-	-	-	-	-	-	-	-
Other Income	-	-	-	40,675	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	55,132	25,101	-
Sale of Assets	-	-	-	-	-	-	-	-
RLF Loan Loss Allowance	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,715</b>	<b>5,886</b>	<b>73,616</b>	<b>40,675</b>	<b>119,151</b>	<b>807,627</b>	<b>193,085</b>	<b>3,940</b>
<b>Expenditures</b>								
Personnel	1,090	1,689	-	26,568	57,445	139,172	-	1,960
Fringe Benefits	500	776	-	7,251	25,858	61,426	-	789
Contractual Services	1,075	1,093	73,616	-	-	499,352	193,085	-
Client Services/Program Costs	-	-	-	-	-	-	-	-
Travel	163	118	-	1,171	794	3,612	-	-
Training	323	-	-	114	-	-	-	-
Ads, Printing, Publications & Copies	27	12	-	30	517	1,309	-	-
Equipment Rent and Maintenance	-	-	-	-	135	15,925	-	-
Grant Purchased Equipment	-	-	-	-	670	474	-	-
Supplies and Postage	453	241	-	149	233	2,249	-	94
Telephone	-	-	-	1,325	-	3,304	-	-
Dues and Registrations	450	475	-	-	250	749	-	-
Other Costs	-	499	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,081</b>	<b>4,903</b>	<b>73,616</b>	<b>36,608</b>	<b>85,902</b>	<b>727,572</b>	<b>193,085</b>	<b>2,843</b>
<b>Shared Costs Applied</b>								
Operational Costs	335	520	-	6,915	17,568	42,304	-	580
Indirect Administration Costs	146	226	-	3,178	7,656	18,436	-	252
Shared Costs	153	237	-	1,609	8,025	19,315	-	265
<b>Total Expenditures</b>	<b>4,715</b>	<b>5,886</b>	<b>73,616</b>	<b>48,310</b>	<b>119,151</b>	<b>807,627</b>	<b>193,085</b>	<b>3,940</b>
Revenues over (under) expenditures	-	-	-	(7,635)	-	-	-	-
Other financing sources (uses):								
Operating transfers in (out)	-	-	-	7,635	-	-	-	-
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, 2017

	KY Caregiver Support Grandparent Services	CMS-SHIP	PCAP Administration	PCAP Subsidy & Coordination	ADRC - Medicaid Federal Funding	ACA MIPPA/AAA	ACA MIPPA/ADRC	ACA MIPPA/SHIP
<b>Revenues</b>								
Federal Revenue	\$ -	\$ 28,709	\$ -	\$ -	\$ 4,973	\$ 12,642	\$ 5,893	\$ 19,731
State Revenue	35,723	-	47,035	515,814	-	-	-	-
Local Revenue	-	-	-	-	-	592	250	656
Program Income	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-	-
RLF Loan Loss Allowance	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>35,723</b>	<b>28,709</b>	<b>47,035</b>	<b>515,814</b>	<b>4,973</b>	<b>13,234</b>	<b>6,143</b>	<b>20,387</b>
<b>Expenditures</b>								
Personnel	5,134	1,031	22,185	-	-	-	-	162
Fringe Benefits	2,464	452	9,961	-	-	-	-	74
Contractual Services	-	25,553	1,057	515,814	3,400	13,234	6,143	18,940
Client Services/Program Costs	24,960	-	-	-	-	-	-	-
Travel	66	-	50	-	-	-	-	-
Training	-	-	-	-	-	-	-	-
Ads, Printing, Publications & Copies	7	8	187	-	-	-	-	9
Equipment Rent and Maintenance	-	-	-	-	-	-	-	-
Grant Purchased Equipment	-	-	338	-	-	-	-	-
Supplies and Postage	60	488	179	-	1,491	-	-	894
Telephone	-	421	-	-	-	-	-	175
Dues and Registrations	-	-	250	-	82	-	-	-
Other Costs	-	160	-	-	-	-	-	40
Depreciation	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-
	<b>32,691</b>	<b>28,113</b>	<b>34,207</b>	<b>515,814</b>	<b>4,973</b>	<b>13,234</b>	<b>6,143</b>	<b>20,294</b>
<b>Shared Costs Applied</b>								
Operational Costs	1,602	320	6,779	-	-	-	-	50
Indirect Administration Costs	698	138	2,954	-	-	-	-	21
Shared Costs	732	138	3,095	-	-	-	-	22
<b>Total Expenditures</b>	<b>35,723</b>	<b>28,709</b>	<b>47,035</b>	<b>515,814</b>	<b>4,973</b>	<b>13,234</b>	<b>6,143</b>	<b>20,387</b>
Revenues over (under) expenditures	-	-	-	-	-	-	-	-
Other financing sources (uses):								
Operating transfers in (out)	-	-	-	-	-	-	-	-
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, 2017

	Functional Assessment Service Team	State LTC Ombudsman	Home & Community Based PDS	Service Providers & Elder Abuse Coalition	United Way - Nelson Co HDM	Prescription Assistance Program (KPAP)	LT Mental Health & Aging Coalition
<b>Revenues</b>							
Federal Revenue	\$ 1,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Revenue	-	34,363	1,710,298	-	-	57,834	1,000
Local Revenue	362	-	-	5,491	1,526	383	-
Program Income	-	-	60,646	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
RLF Loan Loss Allowance	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>2,361</b>	<b>34,363</b>	<b>1,770,944</b>	<b>5,491</b>	<b>1,526</b>	<b>58,217</b>	<b>1,000</b>
<b>Expenditures</b>							
Personnel	1,101	21	227,986	-	-	1,771	-
Fringe Benefits	519	9	104,438	-	-	727	-
Contractual Services	-	32,631	4,190	-	1,526	44,631	-
Client Services/Program Costs	-	-	1,340,283	-	-	-	-
Travel	93	676	10,249	-	-	-	-
Training	-	-	381	-	-	7,555	-
Ads, Printing, Publications & Copies	-	5	2,629	1,895	-	192	-
Equipment Rent and Maintenance	-	-	3,619	-	-	-	-
Grant Purchased Equipment	-	-	653	-	-	-	-
Supplies and Postage	-	41	5,609	150	-	2,342	825
Telephone	-	854	-	-	-	-	-
Dues and Registrations	-	114	540	3,446	-	-	175
Other Costs	-	-	512	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-
	<b>1,713</b>	<b>34,351</b>	<b>1,701,089</b>	<b>5,491</b>	<b>1,526</b>	<b>57,218</b>	<b>1,000</b>
<b>Shared Costs Applied</b>							
Operational Costs	342	6	70,105	-	-	527	-
Indirect Administration Costs	150	3	30,551	-	-	231	-
Shared Costs	156	3	32,008	-	-	241	-
<b>Total Expenditures</b>	<b>2,361</b>	<b>34,363</b>	<b>1,833,753</b>	<b>5,491</b>	<b>1,526</b>	<b>58,217</b>	<b>1,000</b>
Revenues over (under) expenditures	-	-	(62,809)	-	-	-	-
Other financing sources (uses):							
Operating transfers in (out)	-	-	62,809	-	-	-	-
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, 2017

	SOCIAL SERVICES TOTAL	TOTAL PROGRAM SERVICES	UNRESTRICTED LOCAL OPERATIONS	TOTAL GRANTS MANAGEMENT BASIS OF ACCOUNTING	CONVERSION TO ACCRUAL ACCOUNTING	SHARED COST ALLOCATION	TOTAL REVENUES AND EXPENDITURES
<b>Revenues</b>							
Federal Revenue	\$ 999,569	\$ 2,766,556	\$ 53,500	\$ 2,820,056	\$ -	\$ -	\$ 2,820,056
State Revenue	3,748,832	4,007,000	-	4,007,000	-	-	4,007,000
Local Revenue	9,260	111,574	50,659	162,233	-	-	162,233
Program Income	113,730	113,730	-	113,730	-	-	113,730
Interest Income	-	15,165	3,450	18,615	-	-	18,615
Other Income	40,675	41,804	54	41,858	-	-	41,858
In-Kind Contributions	51,253	51,253	-	51,253	-	-	51,253
Contractor Cash Match	167,912	167,912	-	167,912	-	-	167,912
Sale of Assets	-	-	8,150	8,150	(911)	-	7,239
RLF Loan Loss Allowance	-	-	-	-	5,086	-	5,086
<b>Total Revenues</b>	<b>5,131,231</b>	<b>7,274,994</b>	<b>115,813</b>	<b>7,390,807</b>	<b>4,175</b>	<b>-</b>	<b>7,394,982</b>
<b>Expenditures</b>							
Personnel	588,125	1,265,285	44,317	1,309,602	-	346,601	1,656,203
Fringe Benefits	261,945	561,081	20,166	581,247	249,931	143,339	974,517
Contractual Services	2,542,331	2,851,202	-	2,851,202	-	27,845	2,879,047
Client Services/Program Costs	1,371,129	1,766,713	-	1,766,713	-	-	1,766,713
Travel	21,384	42,529	4,227	46,756	-	9,771	56,527
Training	13,693	21,353	110	21,463	-	1,063	22,526
Ads, Printing, Publications & Copies	8,409	12,835	11	12,846	-	3,401	16,247
Equipment Rent and Maintenance	19,679	30,920	1,006	31,926	-	11,389	43,315
Grant Purchased Equipment	2,940	4,167	-	4,167	(4,167)	-	-
Supplies and Postage	17,886	26,390	1,816	28,206	-	13,365	41,571
Telephone	6,701	8,154	761	8,915	-	13,799	22,714
Dues and Registrations	8,655	21,875	13,707	35,582	-	20,673	56,255
Other Costs	1,332	1,550	1,287	2,837	-	2,637	5,474
Depreciation	-	-	-	-	17,402	24,114	41,516
Rent	-	24,434	-	24,434	-	91,263	115,697
Insurance & Bond Expense	-	-	-	-	-	15,839	15,839
	<b>4,864,209</b>	<b>6,638,488</b>	<b>87,408</b>	<b>6,725,896</b>	<b>263,166</b>	<b>725,099</b>	<b>7,714,161</b>
<b>Shared Costs Applied</b>							
Operational Costs	179,063	384,978	13,784	398,762	-	(398,762)	-
Indirect Administration Costs	78,197	167,911	5,866	173,777	-	(173,777)	-
Shared Costs	80,206	146,249	6,311	152,560	-	(152,560)	-
<b>Total Expenditures</b>	<b>5,201,675</b>	<b>7,337,626</b>	<b>113,369</b>	<b>7,450,995</b>	<b>263,166</b>	<b>-</b>	<b>7,714,161</b>
Revenues over (under) expenditures	(70,444)	(62,632)	2,444	(60,188)	(258,991)	-	(319,179)
Other financing sources (uses):							
Operating transfers in (out)	70,444	70,444	(70,444)	-	-	-	-
Net change in fund balances	-	7,812	(68,000)	(60,188)	(258,991)	-	(319,179)
Fund balances, beginning of year	-	427,782	1,617,169	2,044,951	(2,442,970)	-	(398,019)
Fund balances, end of year	\$ -	\$ 435,594	\$ 1,549,169	\$ 1,984,763	\$ (2,701,961)	\$ -	\$ (717,198)



LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

	CFDA Number	Grant Number	Federal Award Expended
<b><u>U.S. Department of Commerce</u></b>			
<u>Economic Development Administration</u>			
<u>Passed-through State Department: Economic Development Administration</u>			
Economic Development - Support for Planning Organizations	11.302	1700001229	\$63,000
<u>Direct Received Funds</u>			
Economic Adjustment Assistance	11.307	04-39-03494	337,577
<b>Total U.S. Department of Commerce</b>			<b>400,577</b>
<b><u>U.S. Department of Defense</u></b>			
<u>Office of Economic Adjustment</u>			
<u>Direct Received Funds</u>			
Community Economic Adjustment Assistance for Reductions in Defense Spending	12.604	HQ00051510060	85,696
<b>Total U.S. Department of Defense</b>			<b>85,696</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<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	1700001229	10,936
<u>Passed-through Local Sources</u>			
Community Development Block Grants - State Program	14.228	n/a	34,491
<b>Total U.S. Department of Housing and Urban Development</b>			<b>45,427</b>
<b><u>U.S. Department of Labor</u></b>			
<u>Employment and Training Administration</u>			
<u>Passed-through Kentucky Education Cabinet: Department for Workforce Investment</u>			
<u>Office of Employment &amp; Training Administration</u>			
Trade Adjustment Assistance	17.245	205BE15	15,416
			15,416
<u>Office of Employment &amp; Training Administration</u>			
WIOA Adult Program	17.258 a	270AD16	603
WIOA Adult Program	17.258 a	273AD16	239,875
WIOA Adult Program	17.258 a	270AD17	46,276
WIOA Adult Program	17.258 a	273AD17	306,691
WIOA Adult Program	17.258 a	273SRW5	46,019
			639,464
<u>Office of Employment &amp; Training Administration</u>			
WIOA Youth Activities	17.259 a	274YT16	187,904
WIOA Youth Activities	17.259 a	274SR16	4,237
WIOA Youth Activities	17.259 a	274YT17	285,095
WIOA Youth Activities	17.259 a	274YT18	5,288
			482,524
<u>Office of Employment &amp; Training Administration</u>			
WIOA Dislocated Worker Formula Grants	17.278 a	271DW16	283,859
WIOA Dislocated Worker Formula Grants	17.278 a	272CM16	8,968
WIOA Dislocated Worker Formula Grants	17.278 a	272RR16	-5
WIOA Dislocated Worker Formula Grants	17.278 a	272DW16	24,848
WIOA Dislocated Worker Formula Grants	17.278 a	271DW17	21,147
WIOA Dislocated Worker Formula Grants	17.278 a	272DW17	7,536
WIOA Dislocated Worker Formula Grants	17.278 a	271RRW5	412
WIOA Dislocated Worker Formula Grants	17.278 a	272CMW5	469
			347,234
<i>a - Department of Labor - Workforce Investment Act Cluster</i>			<u>1,469,222</u>
<b>Total U.S. Department of Labor</b>			<b>1,484,638</b>

See notes to Schedule of Expenditures of Federal Awards.

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2017

	CFDA Number	Grant Number	Federal Award Expended
<b><u>U.S. Department of Transportation</u></b>			
<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	1600003898	102,803
FY2017 Local Road Updates	20.205	1700001488	15,700
			<u>118,503</u>
<u>Federal Transit Administration</u>			
<u>Passed-through Kentucky Transportation Cabinet</u>			
Metropolitan Transportation Planning - Section 5303	20.505	G04M703Z	4,214
<b>Total U.S. Department of Transportation</b>			<u>122,717</u>
<b><u>Environmental Protection Agency</u></b>			
<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	9,301
<b>Total Environmental Protection Agency</b>			<u>9,301</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<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 1600001202	3,555
Title VII Ombudsman Services	93.042	PON2 725 1600001202	4,619
Title III-D Disease Prevention-Health Promotion	93.043	PON2 725 1600001203	18,521
Title III-B Supportive Services	93.044 b	PON2 725 1600001203	245,394
Title III-C Nutrition Services	93.045 b	PON2 725 1600001203	464,097
Title III-E National Family Caregiver Support	93.052	PON2 725 1600001203	115,820
Nutrition Services Incentive Program (NSIP)	93.053 b	PON2 725 1700000099	73,616
<i>b - Department of Health and Human Services - Aging Cluster</i>			<u>763,107</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 1600001212	1,999
<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 1600000228	3,044
Medicare Enrollment Assistance Program - MIPPA AAA	93.071	PON2 725 1700000082	9,598
Medicare Enrollment Assistance Program - MIPPA ADRC	93.071	PON2 725 1600000228	1,201
Medicare Enrollment Assistance Program - MIPPA ADRC	93.071	PON2 725 1700000082	4,692
Medicare Enrollment Assistance Program - MIPPA SHIP	93.071	PON2 725 1600000228	3,259
Medicare Enrollment Assistance Program - MIPPA SHIP	93.071	PON2 725 1700000082	16,472
			<u>38,266</u>
State Health Insurance Assistance Program	93.324	PON2 725 1600001180	28,709
			<u>66,975</u>
<u>Centers for Medicare and Medicaid Services</u>			
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>			
Medical Assistance Program - ADRC Medicaid Federal Funding	93.778	PON2 725 1600001210	4,973
<b>Total U.S. Department of Health and Human Services</b>			<u>999,569</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$3,147,925</u>

See notes to Schedule of Expenditures of Federal Awards.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2017

## 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, 2017. 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 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	\$	339,345
Cash and investment balance at year end		97,177
Administrative expenses paid out of RLF income during year		13,580
Unpaid principal of loans written off during the year		-
Total		450,102
Multiply federal share of RLF		75%
Federal expenditures for SEFA reporting	\$	337,577

**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	\$	2,820,056
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		337,577
Programs with timing differences in revenue/expenditure recognition for grant administration services passed through local sources:		
Community Development Block Grants - State program		(11,509)
EPA - Water State Revolving Funds		1,801
Total Expenditures of Federal Awards	\$	3,147,925



## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2017

## 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>
<b>Aging</b>		
Title III Planning & Admin	Dietary Consultants, Inc.	\$ 1,659
Title III Planning & Admin	Purfoods, LLC	232
Title III-B Supportive Services	Central KY Community Action Council	35,698
Title III-B Supportive Services	Lifeline Homecare, Inc.	88,157
Title III-B Supportive Services	Legal Aid Society Inc.	3,628
Title III-B Supportive Services	Sunrise Manor	21,688
Title III-B Supportive Services	Transit Authority of Central KY	39,977
Title III-C1 Nutrition Services	Central KY Community Action Council	248,006
Title III-C1 Nutrition Services	Dietary Consultants, Inc.	4,032
Title III-C2 Nutrition Services	Purfoods, LLC	159,280
Title III-D Health Prevention	Central KY Community Action Council	1,575
Title III-D Health Prevention	VNA Nazareth Home Health	680
Title III-E FCGP	Lifeline Homecare, Inc.	56,745
Nutrition Service Incentive Program	Central KY Community Action Council	73,616
ADRC - Medicaid Federal Funding	Central KY Community Action Council	800
ADRC - Medicaid Federal Funding	Lifeline Homecare, Inc.	2,376
ADRC - Medicaid Federal Funding	Purfoods, LLC	225
<b>Total Aging</b>		<b>738,374</b>
<b>Department of Defense</b>		
Office of Economic Adjustment	Hardin County Chamber of Commerce	4,820
Office of Economic Adjustment	Heartland Communications Consultants, Inc	6,048
Office of Economic Adjustment	Thomas P. Miller and Associates, LLC	64,800
<b>Total Department of Defense</b>		<b>75,668</b>
<b>Workforce Innovation &amp; Opportunity Act</b>		
Adult	Alabama Wire Production	6,374
Adult	Brown's Heating & Air	5,788
Adult	Hayco dba Springfield Contracting	1,115
Adult	Heartland Communication Consultants, Inc.	34,787
Adult	INOAC Automotive	1,929
Adult	ITSUWA, KY	6,419
Adult	Kentucky Indiana Exchange	5,477
Adult	Montebello Packaging, Inc.	1,463
Adult	Strategy Matters	45,780
Adult	The Gates Corporation	7,720
Adult	Tower International, Inc.	21,544
Adult	Toyotomi America Corporation	3,415
Adult	Whitworth Tool	4,554
Dislocated Workers	Bardstown Radio Team, LLC	480
Dislocated Workers	Heartland Communication Consultants, Inc.	8,621
Dislocated Workers	INOAC Automotive	6,071
Dislocated Workers	ITSUWA, KY	1,891
Dislocated Workers	Kentucky Indiana Exchange	9,526
Dislocated Workers	Thai Summit Ky	281
Dislocated Workers	The Gates Corporation	3,400
Dislocated Workers	Tower International, Inc.	16,247
Youth	Heartland Communication Consultants, Inc.	27,215
Youth	Elizabethtown Community & Technical College	4,699
<b>Total Workforce Innovation &amp; Opportunity Act</b>		<b>224,796</b>
<b>Total Funds Passed Thru to Subrecipients</b>		<b>\$ 1,038,838</b>

# 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 Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

### **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 20, 2017



**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 the 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, 2017. 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, 2017.

**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 20, 2017

## LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS and PRIOR AUDIT FINDINGS

Year Ended June 30, 2017

#### 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?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None Reported
Noncompliance material to financial statements noted?	No

##### *Federal Awards*

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

WIOA Cluster:  
 17.258 – WIOA Adult Program  
 17.259 – WIOA Youth Program  
 17.278 – WIOA Dislocated Worker Formula Grants

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

Auditee qualified as low-risk auditee? Yes

#### 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.