

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2019

(With Independent Auditor's Report Thereon)

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Board of Directors
Lincoln Trail Area Development District
Elizabethtown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lincoln Trail Area Development District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8, budgetary comparison schedule on page 33, and pension and OPEB schedules and notes on pages 35 – 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LTADD's basic financial statements. The accompanying schedule of shared costs and the combining schedule of operations by program and supporting services are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of shared costs, the combining schedule of operations by program and supporting services, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of shared costs, the combining schedule of operations by program and supporting services, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, 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.

Clauser, Mouser & Co.

Certified Public Accountants

January 21, 2020

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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, 2019. Please read it in conjunction with the District's basic financial statements, which begin on page 9.

NATURE OF THE ORGANIZATION AND REPORTING ENTITY

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

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

FINANCIAL HIGHLIGHTS

The beginning net position for LTADD was (\$2,125,069). The ending net position for the LTADD was (\$2,366,801). LTADD's total net position decreased by \$241,732, from this period last year. Two factors contributing to the decrease in net position include pension expense in excess of pension contributions in the amount of \$270,828 and OPEB expense in excess of OPEB contributions in the amount of \$47,751 recognized in the statement of net position in accordance with GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions*" and GASB 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

June 30, 2019

Fund Financial Statements

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

LTADD has two kinds of funds:

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

FINANCIAL ANALYSIS OF LTADD AS A WHOLE**Table 1: Condensed Statements of Net Position**

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets				
Current Assets	\$2,515,679	\$2,282,701	\$232,978	10.21%
Revolving Loan Fund Receivables, net	454,552	414,740	39,812	9.60%
Capital Assets, net	50,010	81,816	-31,806	-38.88%
Total Assets	<u>3,020,241</u>	<u>2,779,257</u>	<u>240,984</u>	8.67%
Deferred Outflows of Resources	<u>1,155,447</u>	<u>1,571,317</u>	<u>-415,870</u>	-26.47%
Liabilities				
Current Liabilities	909,241	748,211	161,030	21.52%
Non-Current Liabilities	4,868,104	5,114,395	-246,291	-4.82%
Total Liabilities	<u>5,777,345</u>	<u>5,862,606</u>	<u>-85,261</u>	-1.45%
Deferred Inflows of Resources	<u>765,144</u>	<u>613,037</u>	<u>152,107</u>	24.81%
Net Position				
Invested in Capital Assets	50,010	81,816	-31,806	-38.88%
Restricted	454,552	445,243	9,309	2.09%
Unrestricted	<u>-2,871,363</u>	<u>-2,652,128</u>	<u>-219,235</u>	8.27%
Total Net Position	<u>-\$2,366,801</u>	<u>-\$2,125,069</u>	<u>-\$241,732</u>	11.38%

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2019

LTADD's net position decreased \$241,732, or approximately 11.4%, for the year ended June 30, 2019. The FY19 ending ratio of current assets to current liabilities is almost 3.0 times. Cash increased by \$12,897, grant receivables increased by \$317,926, accounts payable increased by \$126,520, funds due to grantor increased by \$5,731 and deferred revenue increased by \$10,184 from the June 30, 2018 figures. The \$31,806 decrease in capital assets was due to depreciation of assets, net of current year acquisitions. The most significant changes in the FY19 net position were the increase in grant receivables and the \$318,579 increase in pension and OPEB liabilities and deferred inflows, net of deferred outflows.

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

	2019	2018	Dollar Change	Percent Change
Revenues				
Operating Grants and Contributions	\$8,007,665	\$7,886,134	\$121,531	1.54%
Charges for Services	50,660	36,751	13,909	37.85%
Member Dues	86,119	80,738	5,381	6.66%
Interest	3,733	4,817	-1,084	-22.50%
RLF – Loan Loss Allowance Provision	--	26,070	-26,070	-100.00%
Other Non-Budgeted Revenue	3,500	3,605	-105	-2.91%
Total Revenues	\$8,151,677	\$8,038,115	\$113,562	1.41%
Expenses				
General Government	69,603	95,532	-25,929	-27.14%
Community and Economic Development	290,997	338,124	-47,127	-13.94%
Revolving Loan Fund	10,409	15,734	-5,325	-33.84%
Employment and Training	1,817,017	1,880,358	-63,341	-3.37%
Social Services	5,905,975	5,768,333	137,642	2.39%
Transportation	299,408	416,678	-117,270	-28.14%
Loss on disposal of assets	--	198	-198	-100.00%
Total Expenses	\$8,393,409	\$8,514,957	-\$121,548	-1.43%
Change in Net Position	-\$241,732	-\$476,842	\$235,110	-49.31%

Revenues:

LTADD recognized a \$113,562, or approximately 1.4%, increase in revenue in FY 2019 when compared to revenue recognized in the FY 2018 period. The current year's increase can be attributed to an increase of \$221,867 in Social Services funding mainly in the Participant Directed Service program. Transportation funds experienced a \$108,082 decrease, mainly due to the end of the Byway Signage project, and a \$34,616 decrease in Community Development mainly due to the reduction of local cash infused to complete the scope of work in the prior year. The estimated allowance for loan losses is zero with the implementation of direct deposit for revolving loan payments. At June 30, 2019, six loans are paid through an ACH Authorized direct deposit program.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

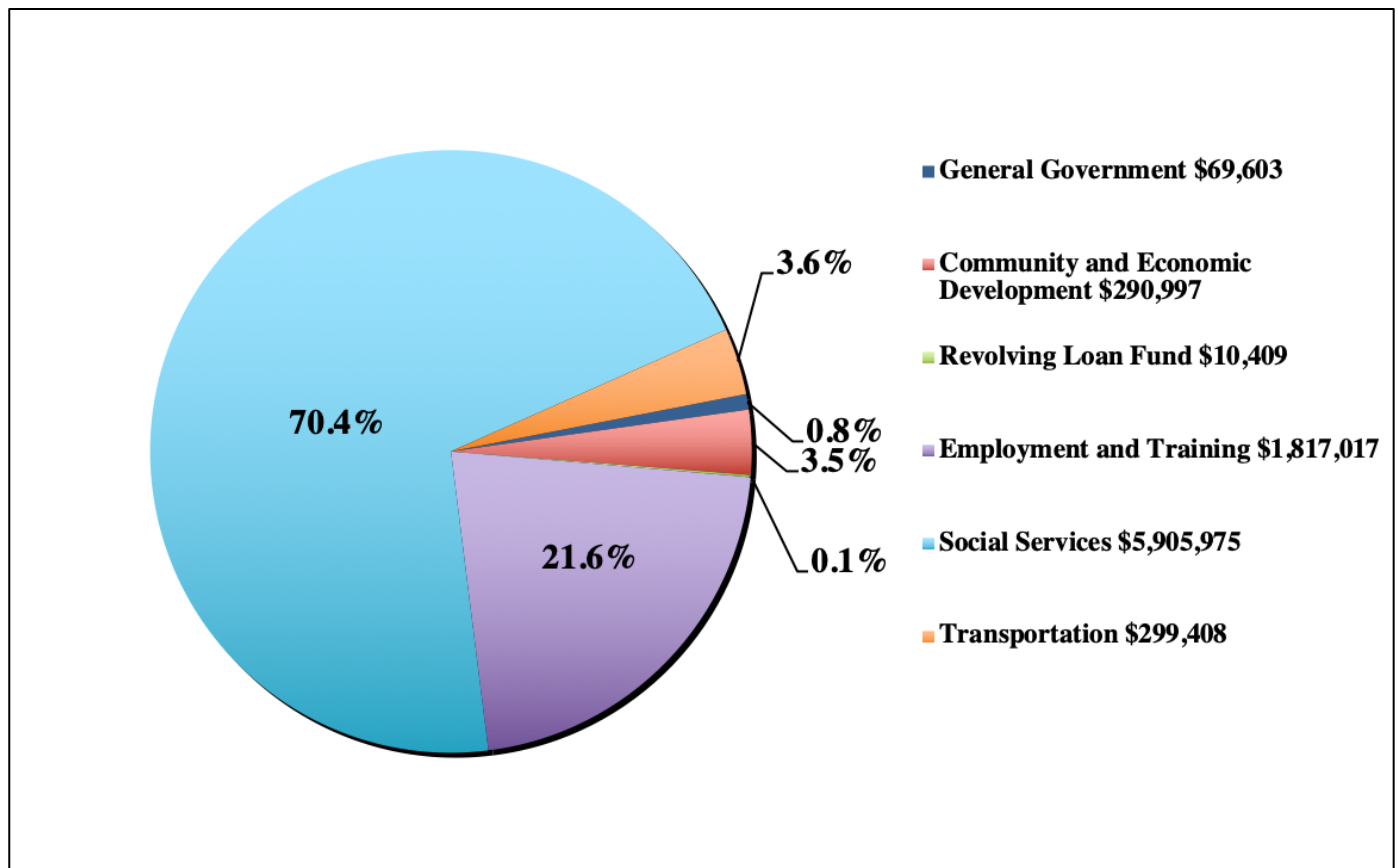
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2019

Expenses:

LTADD recognized a 1.43% decrease in expenses in FY 2019 in comparison to the prior period. Transportation expenditures decreased by \$108,082, principally due to the end of the Byway Signage project; and, to a \$109,097 decrease in pension and OPEB expense above required contributions, which was allocated to each department based on personnel costs. Net position decreased by \$241,732 in the FY 2019 fiscal year, in comparison to the prior year decrease in net position of \$476,872.

LTADD expenses cover a range of services. The following pie chart outlines the percentages and amounts expended by activity. Social Services makes up 70.4% of the expenditures; which is up 2.7% from last year's percentage. About 21.6% of expenditures were associated with Employment and Training activities, which is down 0.5% from its FY 2018 share.



LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2019

LTADD had \$8,178,874 in revenues (budget basis) for FY19. This is an increase of approximately \$138,226 or 1.72% from the prior year. The highlights below give a brief description of the changes and the impact to the various programs of the LTADD:

- **COMMUNITY & ECONOMIC DEVELOPMENT (CED)** – The programs administered by the CED comprise the original functions and core activities of LTADD and its assistance to local units of government. Historically, the Joint Funding Administration (JFA) program exists as the primary component of the Community and Economic Development Department – the JFA serves as the original, legacy funding of all ADDs. The funding foundation and allocation structure of the JFA program has remained consistent since 1978. However, in FY17 & 18, the Department for Local Government reallocated the funding formula with additional funds being redistributed to the Appalachian Regional Commission (ARC) program. In FY19 the Kentucky General Assembly (through budget language) restored the original formula prior to the end of the fiscal year. The FY19 JFA contract represented a 45.5% increase in federal and state funds over funds paid in FY18. But, it was again necessary to inject \$7,860 in General funds to ensure the completion of the JFA program scope of work. The KY Infrastructure Authority (KIA), a state-funded planning program, paid \$12,447 or 23.2%, over funds paid in FY18, but the program still required \$4,625 in General funds to meet contract obligations.
- The overall Transportation Planning component of the LTADD (Metropolitan, Rural and other Transportation funds) saw a \$108,082, or 29.3%, decrease in FY19 funds when compared to FY18, primarily due to the completion of the Scenic Byway Signage Project (pass-thru funds). Also, there was a decrease of \$9,438, or 83.5%, in General fund dollars used in the Rural program; and, a \$4,078, or 9.8%, decrease in the Federal Transit Administration.
- The overall decrease of CED revenues in the amount of \$34,616 (approximately 12%) can be primarily attributed to the reduction of General funds necessary to complete the scope of work in the prior year. Also, it must be noted, that an infusion of \$12,485 of General Funds were required to support the CED mission. This infusion was above and beyond any required programmatic match and was necessary to maintain an acceptable level of staffing to complete mission-essential tasks.
- **WORKFORCE INVESTMENT** – The programs of the Workforce Innovation & Opportunity Act (WIOA) performed by the LTADD Employment and Training Department accounted for an \$18,023, or 1.0%, decrease in revenues when compared to the prior period. This decrease can largely be attributed to the end of the KY Health program and a reduction in the Cumberland's WD Board Support due to a personnel change. The LTADD has \$1,504,554 in carryover funds. There was an increase in traditional WIOA funds and other employment and training revenues totaling \$53,715, or 3.6%, as compared to the FY18 WIOA funding levels.
- **SOCIAL SERVICES** – Kentucky's Area Development District's (ADDs) social services funding 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. The LTADD traditional social services funding levels experienced \$184,705, or 3.3%, decrease when compared to FY18 figures. The reductions came predominantly from Homecare and the end of the KY Caregiver program. Home & Community Based Participant Directed Services (PDS) program grew by \$406,572, or 7.3%, over the FY18 fund level. Overall, combined federal and state revenue increased by approximately 5.4% from Social Services' FY18 funding levels.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end 2019, LTADD had invested \$420,417 in capital assets, including vehicles, office furniture, office equipment and computers. Overall, investment in capital assets decreased by \$22,294 from last year. More detailed information about LTADD's capital assets is presented in Note H to the financial statements.

Long-term Debt

At year-end 2019, LTADD had no outstanding debt.

NEXT YEAR'S BUDGETS

LTADD's FY 2020 budget was based on actual information received from the federal, state and local government contracts as of October 2019. Revenues and expenditures were budgeted at \$9,120,030, which is a 12.6% increase from the FY 2019 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 effect 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, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$1,051,640
Grant receivables	1,389,427
Other receivables	68,085
Prepaid expenses	6,527
Total current assets	<u>2,515,679</u>

Capital assets, net of depreciation	<u>50,010</u>
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Restricted Assets:

Cash – Revolving Loan Fund	92,368
Revolving loan fund receivables, net of allowance	362,184
Total restricted assets	<u>454,552</u>

Total Assets	<u>3,020,241</u>
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Deferred Outflows of Resources:

Deferred outflows related to pension	870,026
Deferred outflows related to OPEB	285,421
Total deferred outflows of resources	<u>1,155,447</u>

LIABILITIES

Current Liabilities:

Accounts payable	440,155
Advances from grantors	197,504
Unearned grant revenue due to grantor	80,719
Accrued wages	146,308
Payroll withholdings and accruals	17,849
Compensated absences, current	26,706
Total current liabilities	<u>909,241</u>

Noncurrent Liabilities:

Compensated absences, net of current portion	54,923
Net pension liability	3,726,658
Net OPEB liability	1,086,523
Total noncurrent liabilities	<u>4,868,104</u>

Total Liabilities	<u>5,777,345</u>
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Deferred Inflows of Resources:

Deferred inflows related to pension	475,746
Deferred inflows related to OPEB	253,578
Deferred revenue	35,820
Total deferred inflows of resources	<u>765,144</u>

Net Position:

Net investment in capital assets	50,010
Restricted for Revolving Loan Fund	453,871
Unrestricted	-2,870,682

Total Net Position	<u>-2,366,801</u>
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See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Function/Programs			<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Direct Expenses</u>	<u>Indirect Costs Allocated</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:					
General government	\$52,921	\$16,682	\$33,406	\$14,500	-\$21,697
Community and economic development	223,570	67,427	--	240,621	-50,376
Revolving loan funds	8,276	2,133	17,254	--	6,845
Employment and training	1,651,560	165,457	--	1,719,911	-97,106
Social services	5,604,499	301,476	--	5,774,823	-131,152
Transportation	230,154	69,254	--	257,810	-41,598
Total	<u>\$7,770,980</u>	<u>\$622,429</u>	<u>\$50,660</u>	<u>\$8,007,665</u>	<u>-335,084</u>

General Revenues:

Member Dues	86,119
Interest	3,733
Other Non-Budgeted Revenue	3,500
Total general revenues	<u>93,352</u>

Change in Net Position -241,732

Net position, beginning of year -2,125,069

Net position, end of year -\$2,366,801

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$693,883	\$450,125	\$1,144,008
Interfund receivables	822,493	498,849	1,321,342
Grant receivables	--	1,389,427	1,389,427
Other receivables	--	68,085	68,085
Prepaid expenses	--	6,527	6,527
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$1,516,376</u>	<u>\$2,413,013</u>	<u>\$3,929,389</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable	\$0	\$440,155	\$440,155
Interfund payables	--	1,321,342	1,321,342
Advances from grantors	--	197,504	197,504
Unearned grant revenue due to grantor	--	80,719	80,719
Deferred revenue	--	35,820	35,820
Accrued wages	--	146,308	146,308
Payroll withholdings and accruals	--	17,849	17,849
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>0</u>	<u>2,239,697</u>	<u>2,239,697</u>
Fund Balances:			
Nonspendable	6,527	--	6,527
Restricted	--	91,687	91,687
Committed	--	81,629	81,629
Unassigned	1,509,849	--	1,509,849
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,516,376</u>	<u>173,316</u>	<u>1,689,692</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$1,516,376</u>	<u>\$2,413,013</u>	<u>\$3,929,389</u>

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2019

Total Fund Balances - Governmental Funds	\$1,689,692
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Amounts reported for governmental activities in the statement of net position is different because:

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

Cost	420,417	
Accumulated depreciation	<u>-370,407</u>	50,010

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

Revolving loan fund receivables		362,184
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Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements:

Deferred outflows related to pension	870,026	
Deferred inflows related to pension	<u>-475,746</u>	394,280

Deferred outflows and inflows of resources related to Other Post Employment Benefits (OPEB) are applicable to future periods, therefore, are not reported in the fund statements:

Deferred outflows related to OPEB	285,421	
Deferred inflows related to OPEB	<u>-253,578</u>	31,843

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

Compensated absences	-81,629	
Net pension liability	-3,726,658	
Net OPEB liability	<u>-1,086,523</u>	<u>-4,894,810</u>

Net Position of Governmental Activities	<u><u>-\$2,366,801</u></u>
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See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

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

Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal revenue	\$10,000	\$2,968,733	\$2,978,733
State revenue	--	4,698,795	4,698,795
Local revenue	124,025	36,606	160,631
Transfer of local funds	-17,176	17,176	--
Cash match	--	151,047	151,047
Program income	--	91,526	91,526
Interest income	3,733	17,226	20,959
Other income	3,120	1,820	4,940
In-kind contributions	--	45,046	45,046
Total Revenues	123,702	8,027,975	8,151,677
Expenditures:			
General government	60,499	--	60,499
Community and economic development	--	253,473	253,473
Revolving loan fund	--	9,255	9,255
Employment and training	--	1,721,247	1,721,247
Social services	--	5,740,243	5,740,243
Transportation	--	261,655	261,655
Debt service-principal	--	--	--
Debt service-interest	--	--	--
Total Expenditures	60,499	7,985,873	8,046,372
Excess of Revenues Over Expenditures	63,203	42,102	105,305
Other Financing Sources (Uses)			
Operating Transfers In (Out)	36,823	-36,823	--
RLF principal received/(disbursed), net	--	52,557	52,557
Total Other Financing Sources (Uses)	36,823	15,734	52,557
Net Change in Fund Balances	100,026	57,836	157,862
Fund Balances, beginning of year	1,416,350	115,480	1,531,830
Fund Balances, end of year	<u>\$1,516,376</u>	<u>\$173,316</u>	<u>\$1,689,692</u>

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$157,862
---	------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlays	\$5,853	
Depreciation expense	<u>-37,659</u>	-31,806

The decrease in net long-term revolving loan fund receivables does not provide current financial resources, and thus is not reported in the governmental funds:

Change in revolving loan fund receivables, net of allowance	-52,557
---	---------

Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds:

Change in compensated absences liability	3,349
--	-------

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions are reported as pension expense.

	-270,828
--	----------

Governmental funds report Other Post Employee Benefit (OPEB) contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions are reported as OPEB expense.

	-47,751
--	---------

Rounding	<u>-1</u>
----------	-----------

Change in Net Position of Governmental Activities	<u><u>-\$241,732</u></u>
--	---------------------------------

See notes to financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – REPORTING ENTITY

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lincoln Trail Area Development District have been prepared to conform with Accounting Principles Generally Accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

- (1) Basis of Presentation – Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. All of the District’s activities are governmental and thus the statements reflect no business-type activities.

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

The government-wide statement of activities presents a comparison between expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service program or department and are, therefore, clearly identifiable to a particular program. Indirect costs are expenses that are not specifically identifiable to a particular program and are therefore allocated to the various programs. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of program expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in fund balances.

The District has the following governmental funds:

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

The Special Revenue Fund accounts for proceeds of specific revenue sources that is legally restricted to disbursements for special purposes. It includes federal financial programs where unused balances may be returned to the grantor at the close of the special project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

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

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

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

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

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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

- (3) Budgetary Principles – The District is not legally required to adopt a budget; however, a budget is prepared using the grants management basis of accounting for each fiscal year and is approved by the Board of Directors.
- (4) Cash Equivalents – For purposes of financial statement presentation, LTADD considers all cash on hand, demand deposits and certificates of deposit as cash equivalents.
- (5) Allowance for Loan Losses – The allowance for loan losses for the revolving loan fund is maintained at a level, considered by management, to be adequate to provide for loan losses inherent in the loan portfolio. Management determines the adequacy of the allowance based upon a review of individual credits, recent loss experience and current economic conditions. The allowance is increased by the provision for loan losses and reduced by net charge-offs.
- (6) Capital Assets – Capital assets are reported in the government-wide financial statements. Capital assets are defined by LTADD as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

- (7) Compensated Absences – The compensated absences liability included in the balance sheet represents earned vacation available to employees, up to a maximum of 150 hours, at current compensation rates.
- (8) Recognition of Revenue – Grant revenue is recognized to the extent that expenditures are incurred in the manner specified by the grants and matching requirements are met.
- (9) Cost Allocation – LTADD is required by the Department of Local Government, to operate under a cost allocation plan (CAP) that conforms with 2 CFR Part 200. LTADD drafts the CAP using 2 CFR 200. A schedule of shared costs for FY19 is on page 40. In management’s judgment LTADD is in conformity with 2 CFR 200.
- (10) Pension and OPEB Plans – For purposes of measuring the (1) net pension liability, (2) net OPEB liability, (3) deferred outflows and deferred inflows of resources related to pensions and OPEB, and (4) pension and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS’s fiduciary net position have been determined on the same basis as they

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

are reported by CERS. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

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

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

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

NOTE C – ESTIMATES

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

NOTE D – DEPOSITS / CASH AND CASH EQUIVALENTS

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

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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE D – DEPOSITS / CASH AND CASH EQUIVALENTS, Continued

The District's policy is to have all deposits covered by depository insurance or secured by pledged securities. At June 30, 2019, the carrying amounts of the District's deposits were \$1,144,008 and the bank balances were \$1,163,886. Of the bank balances, \$250,000 was covered by FDIC insurance, and \$913,886 was covered by collateral held by the pledging financial institution in the District's name.

NOTE E – INTERFUND RECEIVABLES AND PAYABLES

Receivables and payables between funds included on the Balance Sheet – Governmental Funds at June 30, 2019 are as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Special Revenue Fund:	Special Revenue Fund:	
Operational	Revolving Loan Fund	\$681
Operational	Participant Directed Services	384,062
Operational	Workforce Innovation and Opportunity Act (WIOA)	114,106
General Fund	Operational	822,493
		<u>\$1,321,342</u>

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

NOTE F – FEDERAL AND STATE ADMINISTRED GRANT RECEIVABLES

Federal and state administered grant receivables consist of receivables for reimbursements of expenditures under various programs and grants. All amounts are expected but not guaranteed to be collected within the next year. The amount of non-collectable receivables, if any, could to be significant. Grant receivables at June 30, 2019 consisted of the following:

FY'19	
Cabinet for Heath & Family Services - Aging	\$510,381
Department for Local Government - JFA	104,227
KY Transportation Cabinet	49,598
Division of Aging Services – Participant Directed Services	403,917
KY Cabinet for Workforce Development	321,304
	<u>\$1,389,427</u>

NOTE G – REVOLVING LOAN FUND RECEIVABLES

The Revolving Loan program was established in 1987 with 75% or \$500,000 of the funding coming from a Special Economic Development and Assistance grant from the Economic Development Administration (EDA) and a 25% or \$166,667 match provided by the LTADD. As of June 30, 2019, there were nine active loans with an outstanding principal balance of \$362,183. All loans were current at June 30, 2019.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE G – REVOLVING LOAN FUND RECEIVABLES, Continued

The revolving loan fund receivables at June 30, 2019, are summarized as follows:

Principal balance of loans outstanding	\$362,184
Allowance for loan losses	--
Revolving loan fund receivables, net of allowance	<u>\$362,184</u>

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

Estimated allowance for loan losses, June 30, 2018	\$ 0
Recoveries of loans previously reserved	--
Provisions for the year	--
Estimated allowance for loan losses, June 30, 2019	<u>\$ 0</u>

Recoveries and provisions are recorded in the statement of activities. There were no recoveries of loans previously written off for the year ended June 30, 2019. In management's opinion, all known loan losses have been previously written off, and there are no anticipated loan losses requiring provision.

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles and Equipment	\$270,950	\$0	\$0	\$270,950
Equipment - Grant Purchased	171,761	5,853	28,147	149,467
Total Costs	<u>442,711</u>	<u>5,853</u>	<u>28,147</u>	<u>420,417</u>
Less Accumulated Depreciation				
Vehicles and Equipment	207,741	27,197	--	234,938
Equipment - Grant Purchased	153,154	10,462	28,147	135,469
Total Accumulated Depreciation	<u>360,895</u>	<u>37,659</u>	<u>28,147</u>	<u>370,407</u>
Net Capital Assets	<u>\$81,816</u>	<u>-\$31,806</u>	<u>\$0</u>	<u>\$50,010</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$27,197
Community & economic development	1,034
Revolving loan fund	--
Employment and training	2,633
Social services	6,531
Transportation	264
Total depreciation expense	<u>\$37,659</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE I – UNEARNED GRANT REVENUE DUE TO GRANTOR

At June 30, 2019 unearned grant revenue of \$80,719 includes revenues received but not earned, from District grant agreements, and is as follows:

Contract/Billing Name	FY19 Revenue Received	FY19 Expenditures	Amount Due to Grantor
FY07 and prior - all sources	\$-	\$-	\$5,409
FY08			
Kentucky Infrastructure Authority	-	-	25,877
FY09			
Kentucky Infrastructure Authority	-	-	239
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 and 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
FY18			
Cumberlands WD Board Support – Ky Health	2,813	2,428	385
ACA MIPPA/AAA	6,975	6,974	1
ACA MIPPA/SHIP	17,911	17,897	14
FY19			
Homecare	723,727	723,150	577
Personal Care Attendant Program	522,382	511,131	11,251
Kentucky Prescription Assistance Program	58,095	57,341	754
			\$80,719

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE J – LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments/ Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$84,978	\$0	\$3,349	\$81,629	\$26,706
Net Pension Liability	3,760,750	--	34,092	3,726,658	--
Net OPEB Liability	1,291,645	--	205,122	1,086,523	--
Total Long-Term Liabilities	<u>\$5,137,373</u>	<u>\$0</u>	<u>\$242,563</u>	<u>\$4,894,810</u>	<u>\$26,706</u>

Additions and reductions to compensated absences represent the net change in compensated absences for the fiscal year. Reduction to long-term debt of \$34,092 for net pension liability is a result of the reporting requirements, of GASB 68, *Accounting and Financial Reporting for Pensions*. GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulted in a decrease of \$205,122 to net OPEB liability.

NOTE K – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. LTADD has two items that qualify for reporting in this category: The pension deferred outflows of \$870,026 and the other post-employment benefit deferred outflows of \$285,421 at June 30, 2019. The pension deferred outflows are described in Note L to the financial statements. The other post-employment benefit deferred outflows are described in Note M.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. LTADD has three items that qualified for reporting in this category: the pension deferred inflows of \$475,746, other post-employment benefit deferred inflows of \$253,578 and deferred revenue of \$35,820 at June 30, 2019. The pension deferred inflows are described in Note L to the financial statements. The other post-employment benefit deferred outflows are described in Note M.

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. LTADD reports deferred revenue in its financial statements as deferred inflows of resources.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE K – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, Continued

Deferred revenue at June 30, 2019 is as follows:

Funding Source	Amount
ADRC - Medicaid Federal Funds	\$22,682
City of Fairfield	37
City of New Haven	1
Participant Directed Services	4,393
RCF Donation – Nelson County Meals	1,846
Service Providers	5,411
Workforce Innovation and Opportunity Act	1,450
	\$35,820

NOTE L – PENSION PLAN

Plan Description – The Lincoln Trail Area Development District participates in the County Employees Retirement System (CERS), a component unit of the Commonwealth of Kentucky. CERS covers substantially all regular full-time members and is a cost-sharing multiple-employer defined benefit pension plan. Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The CERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. CERS’ report may be obtained by visiting www.kyret.ky.gov.

Benefits Provided – CERS provides for retirement, disability and death benefits to system members through its pension fund. Retirement benefits may be extended to beneficiaries of Plan 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.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living-adjustments if, in its judgement, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions – For the fiscal year ended June 30, 2019, plan members who began participating prior to 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% of their annual creditable compensation 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 Section 78.545(33), 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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE L – PENSION PLAN, Continued

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, 2019, total employer contributions for the District were \$279,404 based on a rate of 21.48% for Non-Hazardous members through covered payroll. The contribution rate of 21.48% for Non-Hazardous is comprised of amounts for pension and insurance benefits; 16.22% or \$210,978 was dedicated to pensions and 5.26% or \$68,426 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, 2019, The District reported a liability of \$3,726,658 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the District's proportion was 0.061190 percent, which was a decrease of .00306 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$481,806. At June 30, 2019, the District reported its proportionate share of the CERS deferred inflows and outflows related to pensions as of the Measurement Date from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 121,553	\$ 54,550
Changes of assumptions	364,203	--
Net differences between projected and actual earnings on plan investments	173,292	217,977
Change in employer proportionate share of net pension liability	--	203,219
Employer contributions subsequent to the measurement date	210,978	--
	<hr/>	<hr/>
Total	\$ 870,026	\$ 475,746

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE L – PENSION PLAN, Continued

The amount reported as deferred outflows of resources for the District's contributions subsequent of the measurement date of \$210,978 will be recognized as a reduction of net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,

2020	\$ 190,318
2021	75,877
2022	(62,890)
2023	(20,003)
	<u>\$ 183,302</u>

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation – 2.30 percent
- Salary increases – 3.05 percent, average, including inflation
- Investment rate of return – 6.25 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 (setback 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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected rate of return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are development for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Discount Rate – The discount rate used to measure the total pension liability as of the measurement date was 6.25%. 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 25 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE L – 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
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

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 6.25 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 (5.25 percent) or 1 percentage point higher (7.25 percent) than the current rate:

1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
\$ 4,691,476	\$ 3,726,658	\$ 2,918,309

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE L – PENSION PLAN, Continued

Pension Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE M - OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description – The Lincoln Trail Area Development District participates in the County Employees Retirement System (CERS), a component unit of the Commonwealth of Kentucky. CERS covers substantially all regular full-time members and is a cost-sharing multiple-employer defined benefit pension plan. CERS provides other post-employment benefits to plan members and beneficiaries. Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. CERS' report may be obtained by visiting www.kyret.ky.gov.

The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board 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. The District's contractually required rate for the year ended June 30, 2019 was 5.26 percent of annual creditable compensation. Contributions to the plan from the District were \$68,426.

OPEB Liability, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs and OPEB Expense – At June 30, 2019, the District reported a liability of \$1,086,523 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was .061196 percent, which was a decrease of .003054 percent from its proportion measured as of June 30, 2018.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE M – OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

For the year ended June 30, 2019, the District recognized OPEB expense of \$116,177. At June 30, 2019, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ --	\$ 126,620
Changes of assumptions	216,995	2,510
Net differences between projected and actual earnings on plan investments	--	74,840
Change in employer proportionate share of net pension liability	--	49,608
Employer contributions subsequent to the measurement date	<u>68,426</u>	<u>--</u>
Total	<u>\$ 285,421</u>	<u>\$ 253,578</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$68,426 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ending June 30,

2020	\$ (5,602)
2021	(5,602)
2022	(5,602)
2023	8,933
2024	(18,888)
Thereafter	<u>(9,822)</u>
	<u>\$ (36,583)</u>

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.05%, average
Inflation rate	2.30%
Payroll Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05 % over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05 % over a period of 10 years.
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE M – OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

The long-term expected return on the 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 by the target asset allocation percentage and then adding expected inflation. The capital market assumption developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected return in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE M – OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

The projection of cash flows used to determine the discount rate of 5.85% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
\$ 1,411,219	\$ 1,086,523	\$ 809,941

Sensitivity Of The District's Proportionate Share Of The Collective Net OPEB Liability To Changes In The Healthcare Cost Trend Rates - The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Discount Rate	1% Increase
\$ 808,927	\$ 1,086,523	\$ 1,413,728

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

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 makes no contributions to these plans.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE N – 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 \$19,615 for the year ended June 30, 2019.

NOTE O – FUND BALANCES

Fund balances at June 30, 2019 are classified as follows: Nonspendable in the amount of \$6,527 represents amounts that cannot be spent due to form and correspond to prepaid expenses; Restricted by contractual provisions for the Revolving Loan Fund in the amount of \$91,687; Committed for the purpose of funding compensated absences in the amount of \$81,629. Committed and assigned fund balance classifications are determined by action of the Board of Directors.

NOTE P – BUDGET BASIS REVENUES AND EXPENDITURES

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

Grants Management (Budget) Basis Revenues	\$8,178,874
Agency owned assets are depreciated for budget basis but expensed in fund financial statements:	
Agency depreciation allocation – equipment and vehicles	<u>-27,197</u>
Fund Financial Statement Revenues	<u>\$8,151,677</u>
Grants Management (Budget) Basis Expenditures	\$8,097,417
Change in compensated absences liability not recognized in fund financial statements	3,349
Agency owned assets are depreciated for budget basis but expensed in fund financial statements:	
Agency depreciation allocation – vehicles	-22,587
Depreciation expense, net of capital asset additions	<u>-31,807</u>
Fund Financial Statement Expenditures	<u>\$8,046,372</u>

NOTE Q – 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.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2019

NOTE R – CONCENTRATION OF RISK

During the year ended June 30, 2019, the District received 99.7% of its revenue from federal, state and local grants, and the related in-kind match and program income. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, it is determined that funds have not been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, could 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 S – IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLESRecently Issued and Adopted Accounting Principles

In April of 2018, GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for periods beginning after June 15, 2018. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS – GRANTS MANAGEMENT BASIS

Year Ended June 30, 2019

	Original and Final Budget	Actual Amounts
Revenues:		
Federal revenue	\$3,176,070	\$2,978,733
State revenue	4,617,979	4,698,795
Local revenue	165,732	160,631
Cash match	148,581	151,047
Program income	--	91,526
Interest income	19,364	20,959
Other income	36,710	32,137
In-kind contributions	51,236	45,046
Total Revenues	8,215,672	8,178,874
Expenditures:		
Salaries	1,404,978	1,356,645
Fringe	731,947	727,311
Contractual services	3,221,661	3,230,612
Client services/Program costs	2,383,625	2,387,029
Travel	76,523	54,953
Training	13,880	31,352
Ads, printing, publishing, and copies	14,853	17,342
Equipment rent and maintenance	60,270	57,108
Grant purchased equipment	3,222	5,853
Supplies and postage	40,127	32,407
Phone	19,721	15,187
Dues, conferences and meeting costs	65,467	45,576
Other costs	50,228	35,782
Rent	113,000	85,097
Insurance	16,170	15,163
Total Expenditures	8,215,672	8,097,417
Excess Revenues over Expenditures	\$0	81,457
Fund balance, beginning of year		1,924,802
Fund balance, end of year		\$2,006,259

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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

June 30, 2019

Last 10 Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of net pension liability	0.061190%	0.064250%	0.069540%	0.070682%
Proportionate share of the net pension liability	\$3,726,658	\$3,760,750	\$3,423,862	\$3,038,979
Covered - employee payroll	\$1,300,765	\$1,516,807	\$1,562,646	\$1,658,723
Proportionate share of the net pension liability as a percentage of covered payroll	286.50%	247.94%	219.11%	183.21%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%
	<u>2015</u>			
Proportion of net pension liability	0.070132%			
Proportionate share of the net pension liability	\$2,275,000			
Covered - employee payroll	\$1,644,544			
Proportionate share of the net pension liability as a percentage of covered payroll	138.34%			
Plan fiduciary net position as a percentage of the total pension liability	66.80%			

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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY**

June 30, 2019

Last 10 Years*

	<u>2019</u>	<u>2018</u>
Proportion of net OPEB liability	0.061196%	0.064250%
Proportionate share of the net OPEB liability	\$1,086,523	\$1,291,645
Covered - employee payroll	\$1,300,765	\$1,516,807
Proportionate share of the net OPEB liability as a percentage of covered payroll	83.53%	85.16%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF CONTRIBUTIONS TO PENSION

June 30, 2019

Last 10 Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$210,978	\$219,624	\$217,963	\$206,015	\$214,320
Contributions in relation to the actuarially determined contribution	<u>-210,978</u>	<u>-219,624</u>	<u>-217,963</u>	<u>-206,015</u>	<u>-214,320</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered employee payroll	\$1,300,765	\$1,516,807	\$1,562,646	\$1,658,723	\$1,644,544
Contributions as a percentage of covered employee payroll	16.22%	14.48%	13.95%	12.42%	13.03%

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

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF CONTRIBUTIONS TO OPEB

June 30, 2019

Last 10 Years*

	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$68,426	\$71,287
Contributions in relation to the actuarially determined contribution	<u>-68,426</u>	<u>-71,287</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
Covered employee payroll	\$1,300,765	\$1,516,807
Contributions as a percentage of covered employee payroll	5.26%	4.70%

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

June 30, 2019

CERS PENSION

Changes of benefit terms: There were no changes in benefit terms for 2015 through 2019

Changes of assumptions (as of June 30 for the year of the measurement date):

2014:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016:

- No changes

2017:

- The assumed investment return was changed from 7.50% to 6.25%
- The price inflation assumption was changed from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
- The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%

2018:

- No changes

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

June 30, 2019

CERS OPEB

Changes of benefit terms : There were no changes in benefit terms for 2018 to 2019

Changes of assumptions (as of June 30 for the year of the measurement date):

2017:

- The assumed investment return was changed from 7.50% to 6.25%.
- The price inflation assumption was changed from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption at all years of service
- The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%
- For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%
- For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%

2018:

- No changes

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF SHARED COSTS

Year Ended June 30, 2019

	Operational	Indirect	Common	Total
Salaries	\$142,232	\$101,152	\$40,798	\$284,182
Fringe Benefits	75,876	42,177	22,481	140,534
Contractual Services	9,012	24,046	--	33,058
Travel	17,901	1,227	120	19,248
Training	1,307	1,539	101	2,947
Ads, Printing, Publications & Copies	1,153	1,546	3,508	6,207
Equipment Rent & Maintenance	2,098	3,709	5,003	10,810
Supplies & Postage	5,104	2,233	3,969	11,306
Phone	8,227	75	751	9,053
Dues, Conferences & Meeting Costs	14,971	1,328	148	16,447
Other Costs	2,557	729	--	3,286
Rent	7,173	5,729	57,286	70,188
Insurance & Bond Expenses	13,719	1,444	--	15,163
	<u>\$301,330</u>	<u>\$186,934</u>	<u>\$134,165</u>	<u>\$622,429</u>

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2019

	Joint Funding Agreement	Kentucky Infrastructure Authority	COMMUNITY & ECONOMIC DEVELOPMENT TOTAL	KTC Regional Transportation	KTC Metropolitan Planning Organization	Federal Transit Administration	KTC Local Road Updates Centerline	TRANSPORTATION TOTAL	EDA RLF Administration
Revenues									
Federal Revenue	\$75,688	\$0	\$75,688	\$0	\$110,400	\$13,255	\$16,500	\$140,155	\$0
State Revenue	98,477	66,000	164,477	78,067	6,900	-	-	84,967	-
Local Revenue	-	-	-	8,674	20,700	3,314	-	32,688	-
Transfer of Local Cash	7,860	4,625	12,485	1,867	1,011	-	590	3,468	616
Contractor Cash Match	-	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Other Income	456	-	456	-	-	-	-	-	8,627
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Total revenues	182,481	70,625	253,106	88,608	139,011	16,569	17,090	261,278	9,243
Expenditures									
Personnel	82,628	31,379	114,007	38,789	62,631	7,726	8,046	117,192	3,610
Fringe Benefits	45,554	17,302	62,856	21,386	34,529	4,260	4,343	64,518	1,985
Contractual Services	-	-	-	-	-	-	-	-	-
Client Services/Program Costs	-	-	-	-	-	-	-	-	-
Travel	1,142	741	1,883	312	777	-	-	1,089	110
Training	493	-	493	1,497	619	-	-	2,116	-
Ads, Printing, Publications & Copies	1,220	102	1,322	160	461	4	-	625	1
Equipment Rent and Maintenance	947	2,220	3,167	1,557	1,922	-	-	3,479	1,200
Grant Purchased Equipment	-	-	-	-	-	-	-	-	-
Supplies and Postage	278	126	404	109	334	9	-	452	7
Phone	102	-	102	-	-	-	-	-	-
Dues and Registrations	1,176	196	1,372	1,857	696	-	-	2,553	-
Other Costs	73	-	73	-	-	-	-	-	197
Rent	-	-	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-	-
	133,613	52,066	185,679	65,667	101,969	11,999	12,389	192,024	7,110
Shared Costs Applied:									
Operational Costs	23,279	8,840	32,119	10,928	17,645	2,177	2,250	33,000	1,016
Indirect Administration Costs	14,434	5,482	19,916	6,776	10,941	1,350	1,367	20,434	630
Shared Costs	11,155	4,237	15,392	5,237	8,456	1,043	1,084	15,820	487
Total expenditures	182,481	70,625	253,106	88,608	139,011	16,569	17,090	261,278	9,243
Revenues over (under) expenditures	-	-	-	-	-	-	-	-	-
Other financing sources (uses):									
Operating transfers in (out)	-	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS BY
PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2019

	RLF - EDA	REVOLVING LOAN FUND TOTAL	Workforce Innovation & Opportunity Act	Bd Support - Cumberlands WD	SNAP E and T	Keesuite	EMPLOYMENT & TRAINING TOTAL	Title III Aging Planning & Administration	Title III-B Support Services
Revenues									
Federal Revenue	\$0	\$0	\$1,531,005	\$158,050	\$0	\$0	\$1,689,055	\$97,094	\$226,360
State Revenue	-	-	-	-	24,742	6,114	30,856	54,252	116,912
Local Revenue	-	-	-	-	-	-	-	-	-
Transfer of Local Cash	-	616	-	-	-	-	-	-	-
Contractor Cash Match	-	-	-	-	-	-	-	-	53,299
Program Income	-	-	380	-	-	-	380	-	4,165
Interest Income	17,225	17,225	-	-	-	-	-	-	-
Other Income	(8,598)	29	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Total revenues	8,627	17,870	1,531,385	158,050	24,742	6,114	1,720,291	151,346	400,736
Expenditures									
Personnel	-	3,610	222,878	76,384	3,154	325	302,741	65,040	11,923
Fringe Benefits	-	1,985	114,354	42,005	1,736	169	158,264	35,525	6,878
Contractual Services	-	-	794,616	-	17,988	5,423	818,027	2,225	370,810
Client Services/Program Costs	-	-	230,517	-	-	-	230,517	-	3,630
Travel	-	110	3,495	3,341	-	-	6,836	1,459	291
Training	-	-	3,798	1,332	-	-	5,130	1,380	-
Ads, Printing, Publications & Copies	-	1	1,403	-	-	2	1,405	421	3
Equipment Rent and Maintenance	-	1,200	3,567	-	-	-	3,567	4,803	-
Grant Purchased Equipment	-	-	1,977	-	-	-	1,977	937	-
Supplies and Postage	-	7	6,847	-	-	-	6,847	423	34
Phone	-	-	451	-	-	-	451	600	-
Dues and Registrations	-	-	4,006	37	-	-	4,043	193	-
Other Costs	-	197	-	120	-	-	120	-	-
Rent	-	-	14,909	-	-	-	14,909	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-	-
Shared Costs Applied:	-	7,110	1,402,818	123,219	22,878	5,919	1,554,834	113,006	393,569
Operational Costs	-	1,016	61,244	21,500	888	93	83,725	18,264	3,414
Indirect Administration Costs	-	630	37,974	13,331	550	58	51,913	11,324	2,117
Shared Costs	-	487	29,349	-	426	44	29,819	8,752	1,636
Total expenditures	-	9,243	1,531,385	158,050	24,742	6,114	1,720,291	151,346	400,736
Revenues over (under) expenditures	8,627	8,627	-	-	-	-	-	-	-
Other financing sources (uses):									
Operating transfers in (out)	-	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	8,627	8,627	-	-	-	-	-	-	-
Fund balances, beginning of year	445,243	445,243	-	-	-	-	-	-	-
Fund balances, end of year	\$453,870	\$453,870	\$0	\$0	\$0	\$0	\$0	\$0	\$0

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2019

	Title III-B Ombudsman	Title III-C1 Congregate Meals	Title III-C2 Home Delivered Meals	Title III-D Preventive Health	Title III-E Caregiver	Title VII Elder Abuse	Title VII Ombudsman	Nutrition Services Incentive Prog "NSIP"	Homecare Administration	Homecare Social Services
Revenues										
Federal Revenue	\$27,501	\$266,311	\$170,481	\$17,563	\$105,089	\$5,798	\$8,752	\$71,528	\$0	\$0
State Revenue	-	30,000	6,000	-	44,953	1,025	1,606	-	87,610	675,444
Local Revenue	-	-	-	-	-	-	-	-	-	-
Transfer of Local Cash	-	-	-	-	-	-	-	-	-	-
Contractor Cash Match	-	-	31,144	-	-	-	-	-	-	45,926
Program Income	-	35,200	-	-	-	-	-	-	-	1,780
Interest Income	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-
In-Kind Contributions	-	45,046	-	-	-	-	-	-	-	-
Total revenues	27,501	376,557	207,625	17,563	150,042	6,823	10,358	71,528	87,610	723,150
Expenditures										
Personnel	-	-	-	42	30,985	1,066	1,819	-	40,574	127,975
Fringe Benefits	-	-	-	23	17,936	602	1,019	-	22,223	72,135
Contractual Services	27,501	376,557	207,625	15,708	80,887	2,962	2,341	71,528	-	416,081
Client Services/Program Costs	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	583	100	29	-	-	4,185
Training	-	-	-	1,710	725	-	-	-	754	3,895
Ads, Printing, Publications & Copies	-	-	-	5	71	-	1,466	-	13	2,606
Equipment Rent and Maintenance	-	-	-	-	-	-	1,649	-	-	13,305
Grant Purchased Equipment	-	-	-	-	-	-	-	-	-	568
Supplies and Postage	-	-	-	-	204	247	634	-	105	2,871
Phone	-	-	-	-	-	160	-	-	-	3,239
Dues and Registrations	-	-	-	-	-	1,000	318	-	-	-
Other Costs	-	-	-	50	-	50	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-	-	-
	27,501	376,557	207,625	17,538	131,391	6,187	9,275	71,528	63,669	646,860
Shared Costs Applied:										
Operational Costs	-	-	-	12	8,884	303	516	-	11,405	36,341
Indirect Administration Costs	-	-	-	7	5,509	188	320	-	7,071	22,533
Shared Costs	-	-	-	6	4,258	145	247	-	5,465	17,416
Total expenditures	27,501	376,557	207,625	17,563	150,042	6,823	10,358	71,528	87,610	723,150
Revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-
Other financing sources (uses):										
Operating transfers in (out)	-	-	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2019

	Homecare Home Delivered Meals	CMS-SHIP	SE4A 2018 SHIP Training	PCAP Administration	PCAP Subsidy & Coordination	ACA MIPPA/AAA	ACA MIPPA/ADRC	ACA MIPPA/SHIP	Functional Assessment Service Team
Revenues									
Federal Revenue	\$0	\$32,339	\$1,809	\$0	\$0	\$11,395	\$6,131	\$14,684	\$1,000
State Revenue	138,383	-	-	47,071	511,130	-	-	-	-
Local Revenue	-	-	-	-	-	-	-	-	-
Transfer of Local Cash	-	-	-	319	-	-	-	-	22
Contractor Cash Match	20,678	-	-	-	-	-	-	-	-
Program Income	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Total revenues	159,061	32,339	1,809	47,390	511,130	11,395	6,131	14,684	1,022
Expenditures									
Personnel	-	-	-	21,966	-	566	2,749	1,151	474
Fringe Benefits	-	-	-	12,001	-	329	1,520	607	266
Contractual Services	159,061	31,966	-	-	511,130	10,160	-	10,711	-
Client Services/Program Costs	-	-	-	-	-	-	-	-	-
Travel	-	-	-	74	-	-	-	-	-
Training	-	-	809	-	-	-	-	-	-
Ads, Printing, Publications & Copies	-	-	-	65	-	-	-	86	-
Equipment Rent and Maintenance	-	-	-	50	-	-	-	114	-
Grant Purchased Equipment	-	-	-	283	-	-	-	-	-
Supplies and Postage	-	-	-	1	-	-	234	1,205	-
Phone	-	298	-	-	-	-	-	141	-
Dues and Registrations	-	75	1,000	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-	-
Total expenditures	159,061	32,339	1,809	34,440	511,130	11,055	4,503	14,015	740
Shared Costs Applied:									
Operational Costs	-	-	-	6,169	-	162	775	319	135
Indirect Administration Costs	-	-	-	3,825	-	101	481	197	83
Shared Costs	-	-	-	2,956	-	77	372	153	64
Total expenditures	159,061	32,339	1,809	47,390	511,130	11,395	6,131	14,684	1,022
Revenues over (under) expenditures	-	-	-	-	-	-	-	-	-
Other financing sources (uses):									
Operating transfers in (out)	-	-	-	-	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2019

	State LTC Ombudsman	SE4A 2018 Ombudsman Training	Home & Community Based PDS	Service Providers & Elder Abuse Coalition	United Way Nelson Co HDM	Prescription Assistance Program (KPAP)	SOCIAL SERVICES TOTAL	SPECIAL REVENUE FUND TOTAL - GRANTS MANAGEMENT BASIS	GENERAL FUND TOTAL - GRANTS MANAGEMENT BASIS
Revenues									
Federal Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$1,063,835	\$2,968,733	\$10,000
State Revenue	37,168	-	2,609,862	-	-	57,079	4,418,495	4,698,795	-
Local Revenue	-	-	-	3,873	45	-	3,918	36,606	124,025
Transfer of Local Cash	-	-	-	-	4	262	607	17,176	(17,176)
Contractor Cash Match	-	-	-	-	-	-	151,047	151,047	-
Program Income	-	-	50,001	-	-	-	91,146	91,526	-
Interest Income	-	-	-	1	-	-	1	17,226	3,733
Other Income	-	436	899	-	-	-	1,335	1,820	30,317
In-Kind Contributions	-	-	-	-	-	-	45,046	45,046	-
Total revenues	37,168	436	2,660,762	3,874	49	57,341	5,775,430	8,027,975	150,899
Expenditures									
Personnel	-	-	198,624	-	-	1,841	506,795	1,044,345	28,118
Fringe Benefits	-	-	111,777	-	-	740	283,581	571,204	15,573
Contractual Services	36,168	-	1,474	-	-	44,632	2,379,527	3,197,554	-
Client Services/Program Costs	-	-	2,152,833	-	49	-	2,156,512	2,387,029	-
Travel	-	-	14,345	-	-	-	21,066	30,984	4,721
Training	-	436	2,575	42	-	8,198	20,524	28,263	142
Ads, Printing, Publications & Copies	-	-	2,683	84	-	277	7,780	11,133	2
Equipment Rent and Maintenance	-	-	13,094	-	-	-	33,015	44,428	1,870
Grant Purchased Equipment	-	-	2,088	-	-	-	3,876	5,853	-
Supplies and Postage	-	-	4,122	1,223	-	668	11,971	19,681	1,420
Phone	750	-	-	-	-	-	5,188	5,741	393
Dues and Registrations	-	-	183	2,475	-	-	5,244	13,212	15,917
Other Costs	250	-	1,652	50	-	-	2,052	2,442	30,054
Rent	-	-	-	-	-	-	-	14,909	-
Insurance & Bond Expense	-	-	-	-	-	-	-	-	-
Shared Costs Applied:	37,168	436	2,505,450	3,874	49	56,356	5,437,131	7,376,778	98,210
Operational Costs	-	-	56,371	-	-	469	143,539	293,399	7,931
Indirect Administration Costs	-	-	35,038	-	-	291	89,085	181,978	4,956
Shared Costs	-	-	27,080	-	-	225	68,852	130,370	3,795
Total expenditures	37,168	436	2,623,939	3,874	49	57,341	5,738,607	7,982,525	114,892
Revenues over (under) expenditures	-	-	36,823	-	-	-	36,823	45,450	36,007
Other financing sources (uses):									
Operating transfers in (out)	-	-	(36,823)	-	-	-	(36,823)	(36,823)	36,823
RLF principal received (disbursed), net	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	8,627	72,830
Fund balances, beginning of year	-	-	-	-	-	-	-	445,243	1,479,557
Fund balances, end of year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$453,870	\$1,552,387

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

COMBINING SCHEDULE OF OPERATIONS BY
PROGRAM AND SUPPORTING SERVICES

Year Ended June 30, 2019

	GRANTS MANAGEMENT BASIS TOTAL	SHARED COST ALLOCATION	GRANTS MANAGEMENT BASIS WITH SHARED COSTS ALLOCATED	GRANTS MANAGEMENT BASIS TO FUND BASIS CONVERSION	GOVERNMENTAL FUNDS TOTAL (after conversion)
Revenues					
Federal Revenue	\$2,978,733	\$0	\$2,978,733	\$0	\$2,978,733
State Revenue	4,698,795	-	4,698,795	-	4,698,795
Local Revenue	160,631	-	160,631	-	160,631
Transfer of Local Cash	-	-	-	-	-
Contractor Cash Match	151,047	-	151,047	-	151,047
Program Income	91,526	-	91,526	-	91,526
Interest Income	20,959	-	20,959	-	20,959
Other Income	32,137	-	32,137	(27,197)	4,940
In-Kind Contributions	45,046	-	45,046	-	45,046
Total revenues	8,178,874	-	8,178,874	(27,197)	8,151,677
Expenditures					
Personnel	1,072,463	284,182	1,356,645	3,349	1,359,994
Fringe Benefits	586,777	140,534	727,311	-	727,311
Contractual Services	3,197,554	33,058	3,230,612	-	3,230,612
Client Services/Program Costs	2,387,029	-	2,387,029	-	2,387,029
Travel	35,705	19,248	54,953	(22,587)	32,366
Training	28,405	2,947	31,352	-	31,352
Ads, Printing, Publications & Copies	11,135	6,207	17,342	-	17,342
Equipment Rent and Maintenance	46,298	10,810	57,108	-	57,108
Grant Purchased Equipment	5,853	-	5,853	-	5,853
Supplies and Postage	21,101	11,306	32,407	-	32,407
Phone	6,134	9,053	15,187	-	15,187
Dues and Registrations	29,129	16,447	45,576	-	45,576
Other Costs	32,496	3,286	35,782	(31,807)	3,975
Rent	14,909	70,188	85,097	-	85,097
Insurance & Bond Expense	-	15,163	15,163	-	15,163
	7,474,988				
Shared Costs Applied:					
Operational Costs	301,330	(301,330)	-	-	-
Indirect Administration Costs	186,934	(186,934)	-	-	-
Shared Costs	134,165	(134,165)	-	-	-
Total expenditures	8,097,417	-	8,097,417	(51,045)	8,046,372
Revenues over (under) expenditures	81,457	-	81,457	23,848	105,305
Other financing sources (uses):					
Operating transfers in (out)	-	-	-	-	-
RLF principal received (disbursed), net	-	-	-	52,557	52,557
Net change in fund balances	81,457	-	81,457	76,405	157,862
Fund balances, beginning of year	1,924,802	-	1,924,804	(392,972)	1,531,830
Fund balances, end of year	\$2,006,259	\$0	\$2,006,261	(\$316,567)	\$1,689,692

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

	CFDA Number	Grant Number	Federal Award Expended	Expenditures To Subrecipients
U.S. Department of Commerce				
<u>Economic Development Administration</u>				
<u>Passed-through State Department: Economic Development Administration</u>				
Economic Development - Support for Planning Organizations	11.302	PON2 112 1900003304	\$ 66,667	\$ -
<u>Direct Received Funds</u>				
Economic Adjustment Assistance	11.307	04-39-03494	347,846	-
Total U.S. Department of Commerce			414,513	-
U.S. Department of Housing and Urban Development				
<u>Assistant Secretary for Community Planning and Development</u>				
<u>Passed-through State Department: Community Planning and Development</u>				
Community Development Block Grant - JFA	14.228	PON2 112 1900003304	9,021	-
<u>Passed-through Local Sources</u>				
Community Development Block Grants - State Program	14.228	n/a	15,916	-
Total U.S. Department of Housing and Urban Development			24,937	-
U.S. Department of Labor				
<u>Employment and Training Administration</u>				
<u>Passed-through Kentucky Education Cabinet: Department for Workforce Investment</u>				
<u>Office of Employment & Training Administration</u>				
WIOA Adult Program	17.258 a	273SR17	58,395	58,395
WIOA Adult Program	17.258 a	270AD19	74,773	25,233
WIOA Adult Program	17.258 a	273AD18	109,938	58,665
WIOA Adult Program	17.258 a	273AD19	216,711	110,704
<u>Passed-through Lake Cumberland Area Development District</u>				
WIOA Adult Program	17.258 a	n/a	69,793	-
			529,610	252,997
<u>Office of Employment & Training Administration</u>				
WIOA Youth Activities	17.259 a	274YT18	249,750	166,387
WIOA Youth Activities	17.259 a	274YT19	48,525	10,220
WIOA Youth Activities	17.259 a	274YTR8	436	-
<u>Passed-through Lake Cumberland Area Development District</u>				
WIOA Youth Activities	17.259 a	n/a	46,085	-
			344,796	176,607
<u>Office of Employment & Training Administration</u>				
WIOA Dislocated Worker Formula Grants	17.278 a	271DW18	533,500	150,470
WIOA Dislocated Worker Formula Grants	17.278 a	272DW18	101,337	169,175
WIOA Dislocated Worker Formula Grants	17.278 a	271DW19	85,324	42,753
WIOA Dislocated Worker Formula Grants	17.278 a	272DW19	52,316	2,520
<u>Passed-through Lake Cumberland Area Development District</u>				
WIOA Dislocated Worker Formula Grants	17.278 a	n/a	42,172	-
			814,649	364,918
<i>a - Department of Labor - Workforce Investment Act Cluster</i>			1,689,055	
Total U.S. Department of Labor			1,689,055	794,522

See notes to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended June 30, 2019

	CFDA <u>Number</u>	Grant <u>Number</u>	Federal Award <u>Expended</u>	Federal Award <u>Expended</u>
<u>U.S. Department of Transportation</u>				
<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	1900000313	110,400	-
FY2019 Local Road Updates	20.205	1900000877	16,500	-
			<u>126,900</u>	<u>-</u>
<u>Federal Transit Administration</u>				
<u>Passed-through Kentucky Transportation Cabinet</u>				
Metropolitan Transportation Planning - Section 5303	20.505	P030217442	13,255	-
Total U.S. Department of Transportation			<u>140,155</u>	<u>-</u>
<u>Environmental Protection Agency</u>				
<u>Environmental Protection Agency</u>				
<u>Passed-through City of Hodgenville</u>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	n/a	8,940	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	n/a	6,547	-
Total Environmental Protection Agency			<u>15,487</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
<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 1900001218	5,798	2,517
Title VII Ombudsman Services	93.042	PON2 725 1900001218	8,752	1,675
Title III-D Disease Prevention-Health Promotion	93.043	PON2 725 1900001251	17,563	12,450
Title III-B Supportive Services	93.044 b	PON2 725 1900001251	286,016	223,307
Title III-C Nutrition Services	93.045 b	PON2 725 1900001251	488,087	360,938
Title III-E National Family Caregiver Support	93.052	PON2 725 1900001251	118,685	56,853
Nutrition Services Incentive Program (NSIP)	93.053 b	PON2 725 1900000884	71,528	71,528
<i>b - Department of Health and Human Services - Aging Cluster</i>		<u>845,631</u>		
<u>Centers for Disease Control and Prevention</u>				
<u>Passed-through Kentucky Cabinet for Health and Family Services</u>				
Public Health Emergency Preparedness - FAST	93.069	PON2 725 1900000533	1,000	-
<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 1800000579	5,096	-
Medicare Enrollment Assistance Program - MIPPA AAA	93.071	PON2 725 1900001159	6,299	-
Medicare Enrollment Assistance Program - MIPPA ADRC	93.071	PON2 725 1800000579	2,098	-
Medicare Enrollment Assistance Program - MIPPA ADRC	93.071	PON2 725 1900001159	4,033	-
Medicare Enrollment Assistance Program - MIPPA SHIP	93.071	PON2 725 1800000578	3,976	-
Medicare Enrollment Assistance Program - MIPPA SHIP	93.071	PON2 725 1900001159	10,708	-
			<u>32,210</u>	<u>-</u>
State Health Insurance Assistance Program	93.324	PON2 725 1900001119	34,148	-
Total U.S. Department of Health and Human Services			<u>1,063,787</u>	<u>729,268</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,347,934</u>	<u>\$ 1,523,790</u>

See notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

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, 2019. 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	\$ 362,183
Cash and investment balance at year end	92,368
Administrative expenses paid out of RLF income during year	9,243
Unpaid principal of loans written off during the year	-
Total	<u>463,794</u>
Multiply federal share of RLF	75%
Federal expenditures for SEFA reporting	<u><u>\$ 347,846</u></u>

Note 5 - Data Universal Numbering System (DUNS) Number

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

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

Total Federal Revenue - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,978,733
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	347,846
Programs with timing differences in revenue/expenditure recognition for grant administration services passed through local sources:	
Community Development Block Grants - State program	10,916
EPA - State Revolving Funds	10,439
Total Expenditures of Federal Awards	<u><u>\$ 3,347,934</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

Note 7 - Sub-Recipients

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

<u>Program Title</u>	<u>Sub Recipient</u>	<u>Amount Provided</u>
Aging		
Title III Planning & Admin	Dietary Consultants, Inc.	\$ 1,428
Title III-B Supportive Services	Catholic Charties of Louisville	10,993
Title III-B Supportive Services	Central KY Community Action Council	50,386
Title III-B Supportive Services	Lifeline Homecare, Inc.	120,175
Title III-B Supportive Services	Legal Aid Society Inc.	8,922
Title III-B Supportive Services	Transit Authority of Central KY	32,358
Title III-C1 Nutrition Services	Central KY Community Action Council	184,751
Title III-C1 Nutrition Services	Dietary Consultants, Inc.	4,950
Title III-C2 Nutrition Services	Purfoods, LLC	170,482
Title III-D Health Prevention	Central KY Community Action Council	12,450
Title VII Elder Abuse	Catholic Charties of Louisville	2,517
Title VII Ombudsman	Catholic Charties of Louisville	1,675
Title III-E FCGP	Lifeline Homecare, Inc.	56,653
Nutrition Service Incentive Program	Central KY Community Action Council	71,528
Total Aging		729,268
Workforce Innovation & Opportunity Act		
Adult	Elizabethtown Community & Technical College	58,395
Adult	Heartland Communication Consultants, Inc.	39,090
Adult	Lake Cumberland Area Dev. District	90,912
Adult	Strategy Matters	21,334
Adult	Thai Summit	25,859
Adult	Tower Automotive	8,485
Adult	Whitworth Tool	8,922
Dislocated Workers	Americal Fuji Seal	26,134
Dislocated Workers	Heartland Communication Consultants, Inc.	53,457
Dislocated Workers	Lake Cumberland Area Dev. District	191,322
Dislocated Workers	Strategy Matters	49,038
Dislocated Workers	Thai Summit Ky	31,324
Dislocated Workers	Tower Automotive	9,345
Dislocated Workers	Whitworth Tool	4,298
Youth	Heartland Communication Consultants, Inc.	47,271
Youth	Lake Cumberland Area Dev. District	90,711
Youth	Lincoln Trail Leadership Academy	28,997
Youth	Strategy Matters	9,628
Total Workforce Innovation & Opportunity Act		794,522
Total Funds Passed Thru to Subrecipients		\$ 1,523,790

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
Elizabethtown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Lincoln Trail Area Development District (LTADD), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Lincoln Trail Area Development District's basic financial statements, and have issued our report thereon dated January 21, 2020.

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.

Clauson, Mouser & Co.

Certified Public Accountants

January 21, 2020

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Lincoln Trail Area Development District
Elizabethtown, Kentucky

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, 2019. 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, 2019.

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.

Clauson, Mouser & Co.

Certified Public Accountants

January 21, 2020

LINCOLN TRAIL AREA DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS and PRIOR AUDIT FINDINGS

Year Ended June 30, 2019

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:

Workforce Innovation & Opportunity Act Cluster:
 17.258 WIOA Adult Program
 17.259 WIOA Youth Activities
 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.