

**BIG SANDY AREA DEVELOPMENT
DISTRICT, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2012

PREPARED BY:

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BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
TABLE OF CONTENTS

Independent Auditor's Report	i
Management Discussion and Analysis, required supplemental information	iii
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	3
Governmental Fund Financial Statements	
Balance Sheet	4
Reconciliation of the Balance Sheet to the Statement of	
Net Assets - Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues and Expenditures -- Budget to Actual	8
Notes to Financial Statements	9
Supplementary Information:	
Statement of Revenues and Expenditures -- Summary	23
Statement of Revenues and Expenditures -- Aging Programs	24
Statement of Revenues and Expenditures -- Title III	26
Statement of Revenues and Expenditures -- Homecare	27
Statement of Revenues and Expenditures -- Other Programs	28
Statement of Revenues and Expenditures by JFA Program Element	30
Schedule of Indirect Cost Allocation	31
Schedule of Expenditures of Federal Awards	32
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 <i>Government Auditing Standards</i>	36
Independent Auditor's Report on Compliance with Requirements Applicable to	
Each Major Program and on Internal Control over Compliance in Accordance	
With OMB Circular A-133	38
Summary Schedule of Prior Audit Findings	40
Schedule of Findings and Questioned Costs	41

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Sandy Area Development District, Inc.

We have audited the accompanying financial statements of the governmental activities and the general fund of Big Sandy Area Development District, Inc., as of and for the year ended June 30, 2012, which collectively comprise Big Sandy Area Development District, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of Big Sandy Area Development District, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the general fund of Big Sandy Area Development District, Inc. as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of Big Sandy Area Development District, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page iii 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Big Sandy Area Development District, Inc.'s financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supporting schedules, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Big Sandy Area Development District, Inc. These accompanying schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
January 15, 2013

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2012

The following comments are provided as an overview of the financial activities for the year ended June 30, 2012 and to assist the reader in assessment of the financial condition of the Big Sandy Area Development District, Inc. (BSADD) as of June 30, 2012. Please assess these comments in conjunction with the following financial statements and the Independent Auditors' Report.

Basic Financial Statements

The basic financial statements, which are presented in the new required format for the fiscal year ended June 30, 2012, include both government-wide financial statements and fund financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 1-3), and they provide information about the activities of the BSADD as a whole and present the longer-term view of BSADD's finances. The fund financial statements (beginning on page 4) focus on governmental activities and how various services were financed in the short-term as well as the balance remaining for future spending. Fund financial statements also report BSADD operations in more detail than the government-wide statements by providing information about BSADD's most significant funds.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on BSADD as a whole. Governmental activities are funded by grants and contracts between BSADD and various units of government. The BSADD develops a cost allocation plan that determines how funds are used, in accordance with OMB rules on cost principles and administrative requirements. BSADD records revenue and expense activity into separate departments that follow the cost allocation plan.

The following summary is based on the funds financial statements:

Financial Highlights:

- Unrestricted Fund Balance increased by 1.1% to \$1,297,558. Restricted Fund Balance decreased .002% to \$428,629.
- During the year, the District had \$12,549 more revenues than expenses. Revenues totaled \$7,420,715 and expenses totaled \$7,408,166.
- Net Surplus / deficit for each division were as follows:
 1. TANF (KY WORKS Program) broke even.
 2. Projects / GIS had a surplus of \$6,861.
 3. Dept. 400, which captures rental and other income and provides other programs with local cash, had a surplus of \$1554.
 4. K-Start had a surplus of \$1578.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2012

5. JFA broke even.
6. Aging Division (including CCFC) had a surplus of \$3505.
7. All other departments combined to break even.

**THE COMBINED DIVISIONS AND DEPARTMENTS ABOVE ACCOUNT
FOR THE OPERATING SURPLUS OF \$13,498.**

8. RLF programs (Restricted Funds) had a combined deficit of (\$949) for a net surplus of \$12,549 for the Organization as a whole.
- Total revenues decreased 11% from 8.33 million in 2011 to 7.42 million in 2012.
 - Total expenses decreased 7.6% from 8.02 million in 2011 to 7.40 million in 2012.
 - Final budgeted surplus was \$157,412. The District ended the year with an operating surplus of \$12,549. The primary reason for this is the match the ADD had to provide for the Kentucky Works program. The match was necessary due to a change in contract language interpretation by officials with the Cabinet for Health and Family Services, who administers the contract. This match was in the amount of \$127,112.

Common size revenue and expense per program:

	Revenues	Expenses
Aging	46.04%	46.07%
CCFC	1.98%	1.99%
Housing	0.38%	0.38%
JFA	3.79%	3.80%
K-START	0.28%	0.26%
KY Works	42.95%	43.03%
Projects/GIS	3.30%	3.22%
Rental/Assessments	0.23%	0.21%
Transportation	0.93%	0.93%
Pike Co Water tap/ED Revolving Loan	<u>0.11%</u>	<u>0.13%</u>
	100%	100%

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2012

The following summary is based on the government-wide financial statements:

Assets – Total assets as of June 30, 2012 were \$3,283,896 compared to \$3,481,824 in FY 11. Of the \$197,928 net decrease, current assets decreased \$184,532, capital assets decreased \$12,848 and long-term assets decreased \$548. Current assets decreased \$184,532 from \$2,414,573 in FY 11 to \$2,230,041 as of June 30, 2012. Long term including capital assets decreased \$13,396 from \$1,067,251 in FY 11 to \$1,053,855 as of June 30, 2012.

Liabilities – Current liabilities decreased \$183,725 from \$954,948 in FY 11 to \$771,223 as of June 30, 2012. Long-term liabilities decreased \$30,603 from \$366,526 in FY 11 to \$335,923 as of June 30, 2012. The decrease in current liabilities was due to writing-off old payables and aggressively paying down payables. The decrease in long-term liabilities was due to paying down notes and capital lease payables.

Net Assets – Net Assets equaled \$2,176,750 in FY 12 compared to \$2,160,350 in FY 11. The increase of \$16,400 is attributable mainly to an operating surplus of \$12,549.

Unrestricted general net assets totaled \$1,261,195, restricted RLF net assets totaled \$428,629 and net capital assets totaled \$486,926.

Year End Financial Position

Unrestricted net assets represent 38.4% of total net assets. The unrestricted net assets equal 24.9% of the Districts' operating budget, not including pass-through contracts. This equals 3 months of operating budget. Having this unrestricted amount allows for better cash flow, less interest expense, the ability to absorb cuts by federal and state programs, and unrestricted cash to cash flow new programs and projects easier.

Capital Asset Activity

Depreciation of \$59,450 reduced capital assets. Several additions to capital assets were made during the year. The district purchased a new roof for its office building in November of 2011. The total cost of the improvement was \$33,810. Other assets purchased include office cubicles and furniture at a cost of \$7,842 and mapping software at a cost of \$4,950.

Long Term Debt Activity

The District has a capital lease for the building which it presently occupies. During the year the principal amount was reduced by \$43,000, leaving the outstanding principal at \$311,000. An outstanding note to Kentucky Area Development District Trust in the amount of \$15,000 was paid off. This note financed the purchase of an awning and carpet in the office building. The ADD stands as a pass-through agent for loans to Mountain Housing Corporation from Kentucky Housing Corporation. The ending balance of these loans was \$131,329, a reduction of \$4777 from FY 2011.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2012

Budget Amendments/Variations

The budget was amended during the year.

Several items had significant budget variances. Caregiver program (Title III-E) revenues were lower than expected due to the program being a needs based program and demand can fluctuate. CDO co-pay revenues were higher than anticipated due to increased collections. Kentucky Works Program revenues were lower than anticipated due to lower wage subsidy, transportation, and short term training costs. KSTART revenues were lower than anticipated due to the program's need based nature.

Travel meals and lodging expense were lower than expected due to more electronic communication being utilized. Equipment and supplies expenses were lower than expected due to it is purchased on an as needed basis. Telephone and T-1 line expense were lower than expected due to reduced rates and less usage as email is being utilized more. Training cost was lower than expected due to more material being available electronically. Interest expense was lower than anticipated due to strong cash flow which reduced the need to borrow. Several program specific costs were lower than expected because the program is needs based and the need can vary widely. Those include KSTART flexible funds, Kentucky Works transportation, short term training, and wage subsidy and Community Connection for Children network funds.

Building maintenance cost was higher than expected due to installation of a new security system and necessary parking lot maintenance. Software fees and licenses were higher than expected due to the cost of a maintenance contract and update costs for the District's accounting system. The District does not budget for bad debt expense and therefore it was higher than anticipated.

Conditions that affect FY 2013

For fiscal year 2013, major grant contracts are projected to remain stable in respect to internal costs. Pass through funding has been reduced for the Kentucky Works Program, which may impact the program's ability to serve clients in the capacity it has in the past. Funding for the program in regards to internal operating costs remain essentially the same. Management expects to see strong growth in the consumer direction options program in the aging department. The program's growth and related income will have a positive effect on the ADD as a whole. Increased costs in all areas will have to be managed accordingly. The county employment retirement system employer contribution rate of wages is of greatest concern as it is set to be raised from 16.93% to 19.55% starting in FY 2013.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2012

Functional Area Descriptions

Aging Programs

The Area Agency on Aging operates as a part of a national network to develop and coordinate a comprehensive service delivery system to meet the needs of senior citizens in the Big Sandy District. Here are the following departments and their main function:

Title III – This program provides funding through contracts and to provide technical and administrative oversight to 17 senior citizens centers for the purpose of delivering Nutrition and Support services to seniors including congregate and home delivered meals, outreach, telephone reassurance, health promotion, recreation, escort, and other services. Title III is a federal program which has a portion of its funds matched with state dollars.

Homecare – This program provides home management, personal care, chore, escort, and respite services to homebound seniors. Homecare is a state funded program.

Adult Day Care – The ADD contracts with adult day centers for the delivery of respite for seniors including Alzheimer's clients. Adult Day Care is a state funded program.

Caregiver – This program provides information, referral, training, support groups, and other related services. Caregiver has two components which serve two different groups. One provides respite and is a federal program which receives state match. The other provides assistance to grandparents raising grandchildren and is a state funded program.

Ombudsman – The ADD employs a full-time Ombudsman that works with area nursing homes as an advocate for senior citizens. This program uses a combination of federal and state revenue streams.

Personal Care Attendant – The ADD contracts with the Center for Accessible Living to provide personal care attendants for reasons such as, recovery from surgery, disabilities, and other reasons. We currently serve the Big Sandy and Kentucky River districts. Personal Care Attendant is a state funded program.

Consumer Directed Options - Consumer Directed Options allows Medicaid members who require waiver services to purchase those services differently. CDO allows the Medicaid member to make choices in how some of their services are provided. CDO gives the member the power of choosing who will provide services, how services will be provided, when services will be provided, and where services will be provided. The ADD provides support broker and financial management services to the Big Sandy CDO clients.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2012

Community Collaboration For Children – The ADD provides services to support community-based efforts at the prevention of child abuse and neglect. We facilitate a regional network, regional coordinator, fatherhood & faith-based services, in-home based services, and family team meetings within the district. CCFC is a federally funded program.

Kentucky Works – This program provides services that assist recipients of K-TAP to attain meaningful employment and self-sufficiency. KWP has employment specialists that work in 56 counties across the eastern and central regions of Kentucky. Services administered include short-term skills training, job readiness assistance classes, and transportation assistance to clients. Wage subsidy programs are provided to employers that work with the program as an incentive to hire clients, who gain valuable work experience. KWP is a federally funded program.

Transportation Planning and Safety – This program provides regional transportation planning including contributing to the State enacted six year plan, working with state and local transportation departments on issues like highway safety, access roads, bridges, and other vital transportation issues. The goal of our highway safety program is to reduce automobile related injuries and fatalities through educational programs and identification of hazardous areas. Transportation planning is a state funded program.

JFA Regional Coordination – The Economic Development Administration, the Appalachian Regional Commission, and the Department of Housing and Urban Development create the Joint Funding Administration. This funding provides the infrastructure for the ADD to be involved in the following areas: economic development, housing, regional databases, emergency management, planning councils, regional databases, Area Development Fund management, and District Board management. JFA is administered by Kentucky's Department for Local Government, who also provides matching state funds.

Housing –Mountain Housing Corporation, looks to the ADD to manage its operations to originate loan interest rate mortgages that are guaranteed by FHA, VA, and RHS, build single and multifamily housing, and administer housing projects.

Revolving Loan Fund Programs – The ADD administers two RLF programs. The economic development RLF program provides financing for businesses in the District in need of "gap" financing for the purpose of job creation and retention. The Pike County water tap RLF is for residents of Pike County to borrow funds for water tap fees. Pike County fiscal court has authorized the BSADD to make available part of the water tap RLF funds to be used for grants for water tap fees. This will permanently reduce the RLF fund balance.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,029,594.00
Accounts Receivable	1,071,210.00
Accounts Receivable - Other	4,503.00
Prepaid Expenses	40,545.00
Deposits	1,500.00
Loans Receivable - ED RLF, Current Portion	77,664.00
Loans Receivable - Water Tap RLF, Current Portion	<u>5,025.00</u>

TOTAL CURRENT ASSETS 2,230,041.00

CAPITAL ASSETS

Land	41,000.00
Buildings	1,393,492.00
Equipment	367,748.00
Less Accumulated Depreciation	<u>922,362.00</u>

NET CAPITAL ASSETS 879,878.00

LONG-TERM ASSETS

Loans Receivable - ED RLF, Less Current Portion	<u>173,977.00</u>
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TOTAL LONG-TERM ASSETS 173,977.00

TOTAL ASSETS \$ 3,283,896.00

The accompanying notes to financial statements are an integral part of this statement

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET ASSETS
June 30, 2012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 482,816.00
Payroll Liabilities	53,927.00
Accrued Vacation, Current Portion	18,728.00
Notes Payable, KHC	131,329.00
Capital Leases Payable, Current Portion	60,869.00
Unearned Revenue	<u>23,554.00</u>

TOTAL CURRENT LIABILITIES 771,223.00

LONG-TERM LIABILITIES

Accrued Vacation, Less Current Portion	85,792.00
Capital Leases Payable, Less Current Portion	<u>250,131.00</u>

TOTAL LONG-TERM LIABILITIES 335,923.00

TOTAL LIABILITIES 1,107,146.00

NET ASSETS

Invested in Capital Assets, Net of Related Debt	486,926.00
Restricted Net Assets	428,629.00
Unrestricted Net Assets	<u>1,261,195.00</u>

TOTAL NET ASSETS 2,176,750.00

TOTAL LIABILITIES AND NET ASSETS \$ 3,283,896.00

The accompanying notes to financial statements are an integral part of this statement

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Service	Operating Grants & Contributions	
Governmental activities:					
Aging Programs	\$ 3,068,707.00	\$ 361,538.00	\$ 11,882.00	\$ 3,425,024.00	\$ 6,661.00
JFA Programs	225,543.00	55,490.00		281,275.00	242.00
Kentucky Works	2,803,563.00	382,199.00		3,187,429.00	1,667.00
Transportation Planning	56,098.00	12,806.00		68,960.00	56.00
Project Development/Other	239,669.00	45,341.00		293,575.00	8,565.00
Management Services	15,875.00	0.00		15,288.00	(587.00)
Comm Collaborative for Children	122,107.00	24,848.00		147,064.00	109.00
Revolving Loan Programs	9,358.00	0.00		0.00	(9,358.00)
Total Governmental Activities	\$ 6,540,920.00	\$ 882,222.00	\$ 11,882.00	\$ 7,418,615.00	7,355.00
General Revenues:					
Interest Income					9,045.00
Change in Net Assets					16,400.00
Net Assets, Beginning of Year					2,160,350.00
Net Assets, End of Year					\$ 2,176,750.00

The accompanying notes to financial statements are an integral part of this statement

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
BALANCE SHEET
June 30, 2012

ASSETS

Cash and Cash Equivalents	\$ 1,029,594.00
Accounts Receivable	1,071,210.00
Accounts Receivable - Other	4,503.00
Prepaid Expenses	40,545.00
Deposits	1,500.00
Loans Receivable - ED RLF	251,641.00
Loans Receivable - Water Tap RLF	5,025.00

PROPERTY, PLANT AND EQUIPMENT, NET 118,315.00

TOTAL ASSETS \$ 2,522,333.00

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 482,816.00
Payroll Liabilities	53,927.00
Accrued Vacation	104,520.00
Unearned Revenues	23,554.00
Notes Payable-KHC	<u>131,329.00</u>

TOTAL LIABILITIES 796,146.00

FUND BALANCE

Restricted Fund Balance	428,629.00
Unrestricted Fund Balance	<u>1,297,558.00</u>

TOTAL FUND BALANCE 1,726,187.00

TOTAL LIABILITIES AND FUND BALANCE \$ 2,522,333.00

The accompanying notes to financial statements are an integral part of this statement

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
GOVERNMENTAL FUND
June 30, 2012

Fund balance - governmental fund	\$ 1,726,187.00
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of land, buildings, and equipment specifically charged to individual programs are not reported in the government funds, net of accumulated depreciation of \$728,248.49	761,563.00
Capital leases are expensed as they are paid in the government funds	<u>(311,000.00)</u>
Net assets of governmental activities	\$ <u>2,176,750.00</u>

The accompanying notes to financial statements are an integral part of this statement

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

REVENUES

Federal Funds	\$ 4,411,101.00	
State Funds	2,305,733.00	
Local Cash	658,815.00	
Other Income	42,966.00	
Program Income	11,882.00	
Interest Income	9,045.00	
TOTAL REVENUES		\$ 7,439,542.00

EXPENDITURES

Direct Cost		
Salaries	2,211,862.00	
Fringe Benefits	1,200,568.00	
Subcontractors	1,862,847.00	
Travel	248,913.00	
Supplies	46,534.00	
Telephone	27,042.00	
Training	10,951.00	
Space Rent	109,359.00	
Equipment/Eq Lease	15,801.00	
Other Expense	111,848.00	
Interest Expense	380.00	
Postage/Printing	16,970.00	
Short Term Training	264,520.00	
Wage Subsidy	339,472.00	
Transportation	73,853.00	
Total Direct Cost		6,540,920.00
Indirect Costs (Applied)		886,073.00
TOTAL EXPENDITURES		7,426,993.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES		12,549.00
FUND BALANCE - JULY 1, 2011		1,713,638.00
FUND BALANCE - JUNE 30, 2012		\$ 1,726,187.00

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
For the Year Ended June 30, 2012

Net change in fund balance - governmental fund	\$ 12,549.00
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital assets of equipment not benefiting the entire entity are specifically charged to the programs while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Additional depreciation expense	(39,149.00)
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The repayment of capital lease principal is an expenditure of governmental funds but the repayment reduces long-term debt in the statement of net assets.

43,000.00

Change in net assets of governmental activities	\$ <u>16,400.00</u>
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BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
For the Year Ended June 30, 2012

<u>REVENUES</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE OVER/(UNDER) FINAL BUDGET</u>	<u>%</u>
Federal & State Funds	6,716,834.00	6,913,649.00	7,268,687.00	551,853.00	-7.59%
Local Cash	658,815.00	138,000.00	193,342.00	(465,473.00)	240.75%
Other Income	42,966.00	639,397.00	739,753.00	696,787.00	-94.19%
Program Income	11,882.00	7,899.00	10,000.00	(1,882.00)	18.82%
Interest Income	9,045.00	0.00	4,000.00	(5,045.00)	0.00%
TOTAL REVENUES	7,439,542.00	7,698,945.00	8,215,782.00	776,240.00	-9.45%
<u>EXPENDITURES</u>					
Direct Cost					
Salaries	2,211,862.00	2,212,029.00	2,204,274.00	(7,588.00)	0.34%
Fringe Benefits	1,200,568.00	1,141,991.00	1,127,117.00	(73,451.00)	6.52%
Subcontractors	1,862,847.00	1,555,792.00	2,071,431.00	208,584.00	-10.07%
Travel	248,913.00	250,339.00	268,560.00	19,647.00	-7.32%
Supplies	46,534.00	64,000.00	60,568.00	14,034.00	-23.17%
Telephone	27,042.00	37,547.00	35,747.00	8,705.00	-24.35%
Training	10,951.00	29,477.00	23,119.00	12,168.00	-52.63%
Space Rent	109,359.00	87,975.00	86,475.00	(22,884.00)	26.46%
Equipment/Eq Lease	15,801.00	32,850.00	33,940.00	18,139.00	-53.44%
Other Expense	111,848.00	86,683.00	78,626.00	(33,222.00)	42.25%
Interest Expense	380.00	0.00	0.00	(380.00)	0.00%
Postage/Printing	16,970.00	20,877.00	19,212.00	2,242.00	-11.67%
Short Term Training	264,520.00	350,000.00	350,000.00	85,480.00	-24.42%
Wage Subsidy	339,472.00	730,000.00	730,000.00	390,528.00	-53.50%
Transportation	73,853.00	110,000.00	110,000.00	36,147.00	-32.86%
Total Direct Cost	6,540,920.00	6,709,560.00	7,199,069.00	658,149.00	-9.14%
Indirect Costs (Applied)	886,073.00	821,389.00	859,301.00	(26,772.00)	3.12%
TOTAL EXPENDITURES	7,426,993.00	7,530,949.00	8,058,370.00	631,377.00	-7.84%
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	12,549.00	167,996.00	157,412.00	144,863.00	-92.03%

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Big Sandy Area Development District, Inc. (BSADD), incorporated in 1965, is a multi-county, substate region authorized and organized pursuant to the Statutes of the Commonwealth of Kentucky (KRS 147) which was the enabling legislation forming the 15 Area Development Districts. The BSADD has, as its primary purpose, the promotion of economic development and the establishment of a framework for joint federal, state, and local efforts directed toward providing basic services and facilities essential to the social, economic, and physical development of the eastern most region of Kentucky including Floyd, Johnson, Magoffin, Martin, and Pike Counties.

The BSADD is managed by a Board of Directors, members of which are widely representative of local government leadership, both county and municipal, and leadership in the private and public sector fields deemed critical to the development of the Region.

The BSADD's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the BSADD are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* which added a Management Discussion and Analysis (MD&A) section; required the financial statements to be prepared using full accrual accounting for all activities; and changed the fund financial statements to focus on the major funds.

For the fiscal year ended June 30, 2004, the BSADD implemented the new financial reporting requirements of GASB No. 33, 34, and 37 which added the above changes and changed the presentation and content of the financial statements and the notes to the financial statements.

A. REPORTING ENTITY

In evaluating how to define the BSADD, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *Defining the Reporting Entity*. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

to evaluate component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the BSADD is able to exercise oversight responsibilities. Based on these criteria, one entity is presented as a component unit of the BSADD – the Consumer Directed Options. See Note 16. The financial statements for this component unit are presented on page 30.

B. BASIC FINANCIAL STATEMENTS–GOVERNMENT-WIDE STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the BSADD as a whole. These statements include all funds of the BSADD and are presented on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The BSADD's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The BSADD first utilizes restricted resources to finance qualifying activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

Governmental Funds: General Fund. The BSADD uses only a general fund to account for all financial resources. The various governmental funds are accounted for in the general ledger by using specific accounts to segregate each program's activities. The BSADD has no proprietary or fiduciary funds.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements use a current financial resources measurement and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Estimates and Assumptions: The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. BUDGETS AND BUDGETARY ACCOUNTING

The BSADD is required by various funding sources to adopt an annual budget for the general fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles applicable to state and local governments and is the same basis as the funds statements.

The BSADD's primary funding sources are federal, state, and local grants and contracts that have periods that may or may not coincide with the BSADD's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the BSADD's dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The BSADD's annual budget differs from that of a local government in two respects: (1) the uncertain nature of grant awards and funding from other entities and (2) conversion of grant budgets to a fiscal year basis. The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant and contracts from those estimated
- Changes in grant periods
- Unanticipated grant awards not included in the budget
- Expected grant or funding which fails to materialize

The Financial Director prepares the budget at least 30 days prior to the start of each fiscal year. The budget is then submitted to the Executive Director, who in turn, will submit the budget to the Board of Directors for approval.

The Financial Director also monitors expenditures on a monthly basis. Adoptions of budget amendments follow the above procedures.

F. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

The cash and cash equivalent amount includes the general checking accounts.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additional improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Depreciation on all assets is provided on the straight-line basis of the following estimated useful lives:

Buildings and Leasehold Improvements	40 years
Plumbing / HVAC / Electrical Systems	20 years
Land Improvements	15 years
Furniture	15 years
Business Machines / Communication Equip	7 years
Vehicles	6 years
Computer Equipment and Software	5 years
Photocopiers	5 years

In the fund financial statements, property used in governmental fund operations is expensed to the various programs upon acquisition. Equipment, which benefits the entire Organization, is capitalized according to the above policy and depreciated through shared costs. This represents a reconciling item between the government-wide and fund statement presentations.

3. Compensated Absences/Accumulated Vacation:

The BSADD allows full time permanent employees to accumulate vacation leave at a rate of ten hours per month. Upon termination, the BSADD pays to employees who have been employed twelve months or longer, a maximum of twenty days of accumulated vacation. As of June 30, 2012, the liability for accrued vacation is a total of \$104,520. This is broken down into two categories: the amount of \$18,728 which would be expected to be paid out in the upcoming year is recorded as a current liability and \$85,792 which represents the non-current portion or the amount estimated to be used in subsequent fiscal years is recorded as a long-term debt.

The BSADD's sick leave policy permits the accumulation of ten hours per month worked up to a maximum of forty days. Employees are not paid for unused sick days upon termination of employment. Accordingly, no provision has been made in the financial statements for unused sick leave.

4. Long-Term Liabilities:

All long-term debt is reported as liabilities in the government-wide statements. The long-term debt consists of capital leases payable and a note payable.

The capital leases payable for governmental funds is not reported as liabilities in the fund financial statements. The payment of principal and interest are reported as expenditures. This represents a reconciling item between the government-wide and fund statement presentations.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

5. Equity Classifications:

Government-wide financial statements classify equity as net assets and this is displayed in three components:

- a. **Invested in capital assets, net of related debt** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted net assets** consists of net assets with constraints placed on the use either by:
 - i. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
 - ii. law through constitutional provisions or enabling legislation.
- c. **Unrestricted net assets** consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

6. Revenues and Expenditures:

Substantially all governmental fund revenues are accrued. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures/Expenses are classified by function. All direct expenses have been charged as a direct cost to the program in which it benefits. Indirect costs have been charged to governmental activities based on a cost allocation plan in which indirect costs are allocated to activities based on direct salaries of the program.

G. Income Tax Status:

The BSADD is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. No income tax expense has been recorded in these financial statements because the Organization has no unrelated business income that will be subject to taxation.

NOTE 2 – CASH

Cash includes cash on hand and cash in checking accounts. Separate accounts are maintained for general operations and each of the revolving loan funds. The operating account had a balance of \$857,229 as of June 30, 2012 at Citizens National Bank of Paintsville. Collateral consisting of Federal Home Loan Mortgage Corporation securities with a par value of \$40,000 and a market value of \$40,328, Tennessee Valley Authority Bonds with a par value of \$100,000 and a market value of \$99,956, Allen County, Kentucky Revenue Bonds with a par value of \$25,000 and

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

market value of \$27,431, Northern Kentucky University Revenue Bonds with a par value of \$25,000 and market value of \$26,327, and Johnson County KY School District Bonds with a par value of \$195,000 and market value of \$209,652 for a total pledged assets of \$403,672 market value has been pledged by Citizens National Bank to cover the cash in excess of the \$250,000 guaranteed by the Federal Deposit Insurance Corporation (F.D.I.C.) for all of the BSADD's accounts in that financial institution, leaving an uninsured amount of \$629,152.

The Revolving Loan Fund (Economic Development) had a cash balance of \$155,300, \$154,990 of which has been sequestered according to the requirements of the Economic Development Administration because of the account holding excess funds for two or more consecutive reporting periods, the Revolving Loan Fund (Pride) had a cash balance of \$3,338, and the Water Tap Revolving Loan Fund had a cash balance of \$13,727. All of these balances were collateralized either by the above pledged securities or the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable consist of the following categories:

Contract Payments Receivable	591,610.00
Consumer Directed Options (CDO)	256,276.00
Local Assessments	13,500.00
Mountain Housing Corporation – KHC loans	147,751.00
Other Receivables	<u>62,073.00</u>
TOTAL ACCOUNTS RECEIVABLE	<u>1,071,210.00</u>

The BSADD has evaluated the accounts receivable balances for the various accounts as to collectibility. In the past, several cities and counties in the Big Sandy area have not paid their local assessments which are used to help meet the needs of the BSADD for providing services to the local five county region. Therefore, the BSADD has established a policy of charging a fee for services for those cities or counties who have not paid their local assessment and the BSADD wrote off the prior uncollectible balance several years ago. Amounts began accumulating again for cities who said they would pay the \$1,500 per year assessment, and, as of June 30, 2012, the City of Salyersville owes \$7,500 in assessments dating back to FY 2007, the City of Inez owes for FY 2008 and 2010, and the City of Prestonsburg owes for FY 2006, and Pike County owes \$1,500 for FY 2010. The BSADD uses the direct write-off method to account for bad debts in the accounts receivable. During FY 2012, the BSADD wrote off \$21,644 in general bad debts. No allowance for estimated uncollectible accounts receivable has been recorded because all remaining receivables are expected to be collected.

NOTE 4 – NOTES RECEIVABLE – REVOLVING LOAN FUND (ECONOMIC DEVELOPMENT)

The BSADD, in a cooperative effort with a group of local banks, established a Revolving Loan Fund (RLF), which is accessible to new and expanding businesses in the region. The overall philosophy of the Revolving Loan Fund is to provide flexible financing mechanisms to new or

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

expanding businesses in the region, thus leveraging more conventional financing and consequently bridging financing gaps that currently exist. The impending net result will be the stimulation of economic development activities, the expansion and development of business enterprises, and ultimately the creation of permanent and stable jobs throughout the region.

The Revolving Loan Fund was funded by \$457,500 of monies from the U.S. Department of Commerce, Economic Development Administration under Title IX. These funds were matched by local cash from the group of banks of \$152,500.

As of June 30, 2012, the fund had the following outstanding notes receivable:

Note receivable from Dr. Angela Maggard, payable in 84 monthly installments of \$1,367.10 including 4% interest, beginning July 26, 2003.	28,637.00
Note receivable from Manchester, Inc. payable in 60 monthly installments of \$1,968.78 including 6.75% interest, beginning July 22, 2007	26,431.00
Note receivable from Pig in a Poke payable in 60 monthly installments of \$393.75 including 6.75% interest, beginning September 8, 2007	448.00
Note receivable from Advanced Chiropractic Center, payable in 84 monthly installments of \$683.44 including 4% interest, beginning January 1, 2009.	26,745.00
Note receivable from Pig in a Poke II payable in 84 monthly installments of \$740.50 including 4.5% interest, beginning February 16, 2009	31,703.00
Note receivable from Pig in a Poke III payable in 84 monthly installments of \$981.44 including 4.75% interest, beginning March 28, 2011	64,301.00
Note receivable from Lizzie B's Cafe payable in 60 monthly installments of \$469.03 including 4.75% interest, beginning June 30, 2011	20,079.00
Note receivable from Lizzie B's Cafe II payable in 60 monthly installments of \$562.80 including 4.75% interest, beginning April 12, 2012	28,665.00
Note receivable from Lucky's Quick Stop payable in 60 monthly installments of \$468.99 including 4.75% interest, beginning June 22, 2012	<u>24,632.00</u>
Total Notes Receivable	251,641.00
Less Current Portion	<u>(77,664.00)</u>
Long-term Notes Receivable	<u>173,977.00</u>

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – NOTES RECEIVABLE – WATER TAP REVOLVING LOAN FUNDS

The BSADD received \$50,000 from the Pike County Fiscal Court in FY 2001 to facilitate the payment of water tap fees for Pike County citizens in need of water. The loans were available to any Pike County resident and covered the initial water tap fee and the permit fee. Loans are paid back over two years at a fixed 3% interest. The balance of the Water Tap loans as of June 30, 2012 is \$5,025.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2012 as reflected on the statement of net assets.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	41,000	-	-	41,000
Other capital assets:				
Vehicles	116,114	-	-	116,114
Buildings	1,359,682	33,810	-	1,393,492
Equipment	<u>238,842</u>	<u>12,792</u>	<u>-</u>	<u>251,634</u>
Total other capital assets	1,714,638	46,602	-	1,761,240
Less accumulated Depreciation:				
Vehicles	86,602	8,936	-	95,538
Buildings	582,741	35,470	-	618,211
Equipment	<u>193,569</u>	<u>15,044</u>	<u>-</u>	<u>208,613</u>
Total accumulated deprec.	<u>862,912</u>	<u>59,450</u>	<u>-</u>	<u>922,362</u>
Other capital assets, net	<u>851,726</u>	<u>(12,848)</u>	<u>-</u>	<u>838,878</u>
Governmental activities capital assets, net	<u>892,726</u>	<u>(12,848)</u>	<u>-</u>	<u>879,878</u>

Total governmental activities depreciation expense recorded as indirect cost.

59,450

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The following is a summary of changes in capital assets for the year ended June 30, 2012 as reflected in the funds statements.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Buildings	29,777	33,810	-	63,587
Vehicles	96,392	-	-	96,392
Equipment	<u>139,658</u>	<u>12,792</u>	<u>-</u>	<u>152,450</u>
Total capital assets	265,827	46,602	-	312,429
Less accumulated depreciation:				
Buildings	7,511	2,549	-	10,060
Vehicles	66,898	8,936	-	75,834
Equipment	<u>99,404</u>	<u>8,816</u>	<u>-</u>	<u>108,220</u>
Total accumulated deprec.	<u>173,813</u>	<u>20,301</u>	<u>-</u>	<u>194,114</u>
Capital assets, net	<u>92,014</u>	<u>26,301</u>	<u>-</u>	<u>118,315</u>
Governmental activities capital assets, net	<u>92,014</u>	<u>26,301</u>	<u>-</u>	<u>118,315</u>

Total funds statement depreciation expense, recorded in the programs through indirect cost. 20,301

Differences in depreciation and recorded equipment represent reconciling items between the government-wide and funds statement presentations.

NOTE 7 -- RETIREMENT

The BSADD's original retirement plan was a 403(b) tax deferred annuity, which covered all full time employees who had been employed at least six months and was administered by Lincoln National Life Insurance Company. The IRS froze this plan October 1, 1999.

Beginning October 1, 1999, BSADD employees had two retirement plans from which to choose: a deferred compensation plan administered by the Kentucky Public Employees' Deferred Compensation Authority and the County Employees Retirement System (CERS). As of September 30, 2002, the BSADD ceased matching contributions to the Deferred Compensation plan and all employees were required to participate in the CERS plan. Employees still have the option to contribute to the Deferred Compensation plan in addition to participating in the CERS plan.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Employees hired after April 1, 2000 and all employees after September 30, 2002, must use the CERS plan which is a cost sharing, multiple-employer, public employees retirement system. The plan provides for retirement, disability, and death benefits. Participating employees contribute 5% of their gross compensation to the retirement system. First time employees hired after September 1, 2008 are subject to an additional 1% retirement withholding. For FY 2012, the BSADD contributed 18.96% of full-time employees' gross compensation to the retirement system as a fringe benefit. The employers' contribution rate is determined by the Board of Trustees, of the Kentucky Retirement Systems, based on the amount necessary for the actuarial soundness of the system as required by KRS 61.565. This rate is reviewed annually following the valuation by a consulting actuary. Employer contributions are deposited to the Retirement Allowance Account and are used to pay monthly benefits and expenses of the system. Vesting in a retirement benefit begins immediately upon entry into the retirement system. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. For FY 2012, employees contributed \$129,236 and the BSADD contributed \$476,821 in matching payments based on subject wages of \$2,495,999.

For more information on this retirement plan, annual audits of the County Employees Retirement System are published yearly and can be obtained from the Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or on the Internet at www.kyret.com.

NOTE 8 – SHORT-TERM DEBT ACTIVITY

The BSADD has a \$200,000 line of credit at Citizens National Bank in Paintsville, which the Organization uses for cash flow situations. The beginning and ending balances on this note were \$0.00.

NOTE 9 – NOTES PAYABLE

The BSADD is the pass-through agent for several loans from Kentucky Housing Corporation to Mountain Housing Corporation. These loans are recorded as notes payable to Kentucky Housing Corporation and a note receivable from Mountain Housing Corporation. The balance of this payable is \$131,329.

NOTE 10 – CAPITAL LEASES

The BSADD has entered into a lease for the building it presently occupies. This lease qualifies as a capital lease and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The following is the summary of leased assets under capital lease agreements by the BSADD as of June 30, 2012.

	<u>Capital Assets</u>
Building	<u>910,000</u>

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The following is a schedule of the future minimum lease payments required under these capital leases and the present value of the net minimum lease payments as of June 30, 2012.

<u>Year Ending</u> <u>June 30,</u>	<u>General Long-</u> <u>Term Debt</u>
2013	60,869
2014	61,358
2015	60,706
2016	60,923
2017	60,978
2018 & Thereafter	<u>60,869</u>
Total minimum lease payments	365,703
Less amount representing interest	<u>(54,703)</u>
Present value of future minimum lease payments	<u>311,000</u>

NOTE 11 – OPERATING LEASES

The BSADD has a noncancelable operating lease for a Toshiba Digital Color Copier that expires February 14, 2015 and requires the BSADD to pay all executory costs such as taxes, maintenance, and insurance. Rental expense for this copier during FY 12 was \$5,882.

Future minimum lease payments under the operating lease are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2013	10,084
2014	10,084
2015	<u>1,681</u>
Total lease payments	<u>21,849</u>

NOTE 12 – INSURANCE AND RELATED ACTIVITIES

The BSADD is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicle accidents, error and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance, which includes worker's compensation insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

The BSADD's receivables are due primarily from federal, state, and local governments. BSADD has not experienced any significant losses from uncollectible accounts.

During the year ended June 30, 2012, the BSADD received 90% of its revenues from federal and state grants.

NOTE 14 – INTER-FUND RECEIVABLES AND PAYABLES

The BSADD has no inter-fund balances as of June 30, 2012.

NOTE 15 – IN-KIND CONTRIBUTIONS

The BSADD received in-kind contributions for the aging program from several counties and cities within their service area for vehicles, gas, salaries, and space. The aging program received a total of \$31,884 in contributions, allocated among the programs as follows:

Title III Program	Total State Funds	Cash	Total Funds available for Match	Required Match
Title III - B (15% Match)	37,935		37,935	36,984
C1 (15% Match)	28,920		28,920	27,776
C2 15% Match)	38,131		38,131	38,131
Title III - D (15% Match)	2,467		2,467	2,467
Title III - E (25% Match)	28,628		28,628	28,716
Title VII - Elder Abuse (15% Match)	586		586	586
Title VII - Ombudsman (15% Match)	<u>1,177</u>		<u>1,177</u>	<u>1,177</u>
Total	137,844	0	137,844	135,837

The five county Fiscal Courts provided In-Kind for Title IIIB, C1, and C2 in the form of space, transportation, and utilities.

The Homecare Aging Program received \$42,999 of which \$32,556 is in-kind space donated by the five county Fiscal Courts and program income donated by clients of \$10,443.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The Community Connections for Children Program received \$48,961 in In-Kind match. A portion of the match came from community contributions of toys, food, and personal care items valued at \$351. The remainder of \$48,610 came from the BSADD in the form of staff support costs, and equipment.

NOTE 16 – RESTRICTED FUND BALANCES

The amounts in these accounts are the restricted balances, which belong exclusively to the revolving loan funds and the Pride Grant, which was formerly a revolving loan fund until transformed into a grant program in FY 2003. These balances are not available for use by the BSADD in other programs. The restricted net assets are broken down as follows:

	ED RLF	Water Tap RLF	PRIDE Grant (formerly RLF)	Total Restricted Net Assets
Beginning Balance	406,428	20,356	2,794	429,578
Current Net Income (Loss)	<u>652</u>	<u>(1,514)</u>	<u>(87)</u>	<u>(949)</u>
Ending Balance	<u>407,080</u>	<u>18,842</u>	<u>2,707</u>	<u>428,629</u>

NOTE 17 – CONTINGENCIES

The BSADD receives funding from federal, state, and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the BSADD for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the BSADD's grant programs are predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The BSADD is a party to a human rights complaint with a training contractor in the Kentucky Works Program. The case was taken to a settlement conference and the BSADD agreed to pay \$2,500 plus they agreed to offer a contract to this person if the program was funded by the state. The case was settled in September, 2012.

The BSADD was subjected to a phone fraud through AT&T where someone hacked into the voice mail on every phone line and charged over \$18,000 in overseas phone calls on the BSADD's voice mail. This bill was settled in August, 2012 for \$483.75.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The Department for Aging and Independent Living conducted an on-site review of the Consumer Directed Option Program (CDO) in October, 2012. They determined that inappropriate billing and/or payments totaling \$8,923 had been discovered. The BSADD has appealed this amount and hopes to settle for approximately \$2,400.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 15, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - SUMMARY
For the Year Ended June 30, 2012

<u>REVENUES</u>	<u>JFA</u>	<u>AGING PROGRAM</u>	<u>OTHER PROGRAMS</u>	<u>TOTAL</u>
Federal Funds	163,060.00	985,247.00	3,262,794.00	4,411,101.00
State Funds	116,378.00	2,052,197.00	137,158.00	2,305,733.00
Local Cash	1,837.00	349,790.00	307,188.00	658,815.00
Other Income	0.00	37,790.00	5,176.00	42,966.00
Program Income	0.00	11,882.00	0.00	11,882.00
Interest Income	0.00	0.00	9,045.00	9,045.00
TOTAL REVENUES	281,275.00	3,436,906.00	3,721,361.00	7,439,542.00
 <u>EXPENDITURES</u>				
Direct Cost				
Salaries	140,197.00	894,873.00	1,176,792.00	2,211,862.00
Fringe Benefits	75,170.00	490,989.00	634,409.00	1,200,568.00
Subcontractors	528.00	1,491,683.00	370,636.00	1,862,847.00
Travel	4,258.00	87,174.00	157,481.00	248,913.00
Supplies	232.00	20,432.00	25,870.00	46,534.00
Telephone	1.00	4,484.00	22,557.00	27,042.00
Training	287.00	5,173.00	5,491.00	10,951.00
Space Rent	4,124.00	13,560.00	91,675.00	109,359.00
Equipment/Eq Lease	0.00	1,553.00	14,248.00	15,801.00
Other Expense	320.00	51,145.00	60,383.00	111,848.00
Interest Expense	0.00	0.00	380.00	380.00
Short Term Training	0.00	0.00	264,520.00	264,520.00
Wage Subsidy	0.00	0.00	339,472.00	339,472.00
Transportation	0.00	0.00	73,853.00	73,853.00
Postage/Printing	426.00	7,642.00	8,902.00	16,970.00
Total Direct Cost	225,543.00	3,068,708.00	3,246,669.00	6,540,920.00
 Indirect Costs (Applied)	 55,732.00	 363,116.00	 467,225.00	 886,073.00
TOTAL EXPENDITURES	281,275.00	3,431,824.00	3,713,894.00	7,426,993.00
 EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	 0.00	 5,082.00	 7,467.00	 12,549.00

The accompanying notes to financial statements are an integral part of this statement.

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BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - AGING PROGRAMS
For the Year Ended June 30, 2012

	TOTAL AGING PROGRAMS	TITLE III SOCIAL SERVICE	NSIP	TOTAL HOMECARE
REVENUES				
Federal Funds				
Title III-Federal	744,011.00	744,011.00	0.00	0.00
Title V	0.00	0.00	0.00	0.00
NSIP	110,605.00	0.00	110,605.00	0.00
Title VII	6,671.00	6,671.00	0.00	0.00
MIPPA	20,941.00	20,941.00	0.00	0.00
ARRA	55,159.00	55,159.00	0.00	0.00
Elder Abuse	3,321.00	3,321.00	0.00	0.00
Nursing Home Diversion	0.00	0.00	0.00	0.00
CMS SHIP /KSTART/MFP	44,539.00	15,844.00	0.00	8,223.00
Total Federal Funds	985,247.00	845,947.00	110,605.00	8,223.00
State Funds				
Title III-State	160,063.00	160,063.00	0.00	0.00
Long -Term Care	27,043.00	27,043.00	0.00	0.00
Homecare	789,310.00	0.00	0.00	789,310.00
Adult Day Care	75,855.00	0.00	0.00	0.00
Caregiver Grandparents	97,884.00	1,763.00	0.00	0.00
State Support Funds	0.00	0.00	0.00	0.00
ADRM	0.00	0.00	0.00	0.00
Consumer Directed Options	346,186.00	0.00	0.00	0.00
Personal Care Attend	555,856.00	0.00	0.00	0.00
Senior Games	0.00	0.00	0.00	0.00
Total State Funds	2,052,197.00	188,869.00	0.00	789,310.00
Total Federal & State Funds	3,037,444.00	1,034,816.00	110,605.00	797,533.00
Local Cash	349,790.00	163.00	0.00	670.00
Other Income	37,790.00	6,784.00	0.00	0.00
Program Income	11,882.00	0.00	0.00	11,882.00
TOTAL REVENUES	3,436,906.00	1,041,763.00	110,605.00	810,085.00
EXPENDITURES				
Direct Cost				
Salaries	894,873.00	149,763.00	0.00	386,660.00
Fringe Benefits	490,989.00	91,125.00	0.00	207,118.00
Subcontractors	1,491,683.00	701,682.00	110,605.00	6,560.00
Travel	87,174.00	8,269.00	0.00	37,571.00
Supplies	20,432.00	3,041.00	0.00	8,950.00
Telephone	4,484.00	1,486.00	0.00	2,690.00
Training	5,173.00	4,261.00	0.00	243.00
Space Rent	13,560.00	4,633.00	0.00	4,802.00
Equipment/Eq Lease	1,553.00	1,008.00	0.00	0.00
Other Expense	51,145.00	7,154.00	0.00	1,231.00
Postage/Printing	7,642.00	1,915.00	0.00	1,143.00
Total Direct Cost	3,068,708.00	974,337.00	110,605.00	656,968.00
Indirect Costs (Applied)	363,116.00	67,426.00	0.00	153,117.00
TOTAL EXPENDITURES	3,431,824.00	1,041,763.00	110,605.00	810,085.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	5,082.00	0.00	0.00	0.00

The accompanying notes to financial statements are an integral part of this statement.

CAREGIVER GRAND- PARENTS	ADULT DAY CARE	K START	PACASET/ SENIOR GAMES	PERSONAL CARE ATTEND	CDO MEDICAID	UMWA
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	20,472.00	0.00	0.00	0.00	0.00
0.00	0.00	20,472.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	75,855.00	0.00	0.00	0.00	0.00	0.00
96,121.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	346,186.00	0.00
0.00	0.00	0.00	0.00	555,856.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
96,121.00	75,855.00	0.00	0.00	555,856.00	346,186.00	0.00
96,121.00	75,855.00	20,472.00	0.00	555,856.00	346,186.00	0.00
8,278.00	0.00	0.00	6,031.00	0.00	0.00	334,648.00
0.00	0.00	0.00	25.00	1,932.00	29,049.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
104,399.00	75,855.00	20,472.00	6,056.00	557,788.00	375,235.00	334,648.00
25,038.00	2,892.00	0.00	0.00	14,694.00	158,087.00	157,739.00
13,818.00	1,580.00	0.00	0.00	7,880.00	84,785.00	84,683.00
54,594.00	70,152.00	0.00	0.00	528,945.00	16,145.00	3,000.00
9.00	0.00	0.00	78.00	0.00	16,418.00	24,829.00
13.00	0.00	0.00	5,978.00	13.00	1,979.00	458.00
13.00	0.00	0.00	0.00	0.00	295.00	0.00
0.00	0.00	0.00	0.00	0.00	499.00	170.00
339.00	57.00	0.00	0.00	339.00	3,390.00	0.00
0.00	0.00	0.00	0.00	0.00	545.00	0.00
0.00	0.00	18,895.00	0.00	0.00	22,654.00	1,211.00
327.00	4.00	0.00	0.00	83.00	4,167.00	3.00
94,151.00	74,685.00	18,895.00	6,056.00	551,954.00	308,964.00	272,093.00
10,248.00	1,170.00	0.00	0.00	5,834.00	62,766.00	62,555.00
104,399.00	75,855.00	18,895.00	6,056.00	557,788.00	371,730.00	334,648.00
0.00	0.00	1,577.00	0.00	0.00	3,505.00	0.00

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - TITLE III
For the Year Ended June 30, 2012

	<u>TOTAL TITLE III</u>	<u>TITLE III ADM</u>	<u>OMBUDS- MAN</u>	<u>TITLE III-D</u>	<u>TITLE III-E CAREGIVER</u>	<u>TITLE III SUB CON- TRACTORS</u>
REVENUES						
Federal Funds						
Title III-Federal	744,011.00	71,945.00	0.00	18,981.00	68,554.00	584,531.00
Title VII	6,671.00	0.00	6,671.00	0.00	0.00	0.00
MIPPA-ADRC/MIPPA-AAA	20,941.00	0.00	0.00	20,941.00	0.00	0.00
MIPPA SHIP	15,844.00	0.00	0.00	15,844.00	0.00	0.00
CMS-SHIP	55,159.00	0.00	0.00	55,159.00	0.00	0.00
Elder Abuse	3,321.00	0.00	3,321.00	0.00	0.00	0.00
Total Federal Funds	<u>845,947.00</u>	<u>71,945.00</u>	<u>9,992.00</u>	<u>110,925.00</u>	<u>68,554.00</u>	<u>584,531.00</u>
State Funds						
Title III-State	160,063.00	23,982.00	18,948.00	2,467.00	28,628.00	86,038.00
State Support Funds	0.00	0.00	0.00	0.00	0.00	0.00
ADRM	0.00	0.00	0.00	0.00	0.00	0.00
Consumer Directed Options	0.00	0.00	0.00	0.00	0.00	0.00
Long -Term Care	27,043.00	0.00	27,043.00	0.00	0.00	0.00
Elderly Readiness	1,763.00	0.00	1,763.00	0.00	0.00	0.00
Total State Funds	<u>188,869.00</u>	<u>23,982.00</u>	<u>47,754.00</u>	<u>2,467.00</u>	<u>28,628.00</u>	<u>86,038.00</u>
Total Federal & State Funds	1,034,816.00	95,927.00	57,746.00	113,392.00	97,182.00	670,569.00
Local Cash	163.00	163.00	0.00	0.00	0.00	0.00
Other Income	<u>6,784.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,784.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL REVENUES	1,041,763.00	96,090.00	57,746.00	120,176.00	97,182.00	670,569.00
EXPENDITURES						
Direct Cost						
Salaries	149,763.00	41,440.00	26,276.00	41,978.00	40,069.00	0.00
Fringe Benefits	91,125.00	22,234.00	14,092.00	33,823.00	20,976.00	0.00
Subcontractors	701,682.00	3,640.00	2,054.00	9,250.00	18,721.00	668,017.00
Space Rent	4,633.00	734.00	904.00	2,260.00	735.00	0.00
Equipment/Eq Lease	1,008.00	153.00	0.00	855.00	0.00	0.00
Training	4,261.00	1,027.00	110.00	572.00	0.00	2,552.00
Travel	8,269.00	4,226.00	2,759.00	741.00	543.00	0.00
Other Expense	7,154.00	3,025.00	731.00	3,145.00	253.00	0.00
Telephone	1,486.00	1,365.00	4.00	32.00	85.00	0.00
Postage/Printing	1,915.00	540.00	234.00	912.00	229.00	0.00
Supplies	3,041.00	1,350.00	149.00	1,510.00	32.00	0.00
Total Direct Cost	<u>974,337.00</u>	<u>79,734.00</u>	<u>47,313.00</u>	<u>95,078.00</u>	<u>81,643.00</u>	<u>670,569.00</u>
Indirect Cost (Applied)	<u>67,426.00</u>	<u>16,356.00</u>	<u>10,433.00</u>	<u>25,098.00</u>	<u>15,539.00</u>	<u>0.00</u>
TOTAL EXPENDITURES	<u>1,041,763.00</u>	<u>96,090.00</u>	<u>57,746.00</u>	<u>120,176.00</u>	<u>97,182.00</u>	<u>670,569.00</u>
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - HOMECARE
For the Year Ended June 30, 2012

	<u>TOTAL</u>	<u>HOMECARE ADM</u>	<u>HOMECARE CASE MGT</u>	<u>IN-HOME SERVICES</u>
<u>REVENUES</u>				
Federal Funds				
CMS-SHIP/MFP	8,223.00	0.00	8,223.00	0.00
Title III-D	0.00	0.00	0.00	0.00
MIPPA	0.00	0.00	0.00	0.00
NSIP	0.00	0.00	0.00	0.00
Total Federal Funds	<u>8,223.00</u>	<u>0.00</u>	<u>8,223.00</u>	<u>0.00</u>
State Funds				
Homecare	789,310.00	46,163.00	201,823.00	541,324.00
Adult Day Care	0.00	0.00	0.00	0.00
Elderly Readiness	0.00	0.00	0.00	0.00
ADRM	0.00	0.00	0.00	0.00
Consumer Directed Options	0.00	0.00	0.00	0.00
Fuel Subsidy	0.00	0.00	0.00	0.00
Total State Funds	<u>789,310.00</u>	<u>46,163.00</u>	<u>201,823.00</u>	<u>541,324.00</u>
Total Federal & State Funds	797,533.00	46,163.00	210,046.00	541,324.00
Other Income	0.00	0.00	0.00	0.00
Local Cash	670.00	634.00	0.00	36.00
Program Income	<u>11,882.00</u>	<u>0.00</u>	<u>0.00</u>	<u>11,882.00</u>
TOTAL REVENUES	810,085.00	46,797.00	210,046.00	553,242.00
<u>EXPENDITURES</u>				
Direct Cost				
Salaries	386,660.00	22,871.00	99,588.00	264,201.00
Fringe Benefits	207,118.00	12,566.00	53,470.00	141,082.00
Subcontractors	6,560.00	695.00	2,946.00	2,919.00
Space Rent	4,802.00	565.00	4,237.00	0.00
Travel	37,571.00	290.00	8,149.00	29,132.00
Telephone	2,690.00	85.00	877.00	1,728.00
Postage/Printing	1,143.00	598.00	542.00	3.00
Supplies	8,950.00	45.00	338.00	8,567.00
Training	243.00	0.00	243.00	0.00
Other Expense	1,231.00	0.00	150.00	1,081.00
Equipment/Eq Lease	0.00	0.00	0.00	0.00
Total Direct Cost	<u>656,968.00</u>	<u>37,715.00</u>	<u>170,540.00</u>	<u>448,713.00</u>
Indirect Cost (Applied)	<u>153,117.00</u>	<u>9,082.00</u>	<u>39,506.00</u>	<u>104,529.00</u>
TOTAL EXPENDITURES	<u>810,085.00</u>	<u>46,797.00</u>	<u>210,046.00</u>	<u>553,242.00</u>
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - OTHER PROGRAMS
For the Year Ended June 30, 2012

	<u>TOTAL</u>	<u>COMM. COLLABORATIVE FOR CHILDREN</u>	<u>TRANS- PORTATION PLANNING</u>	<u>PROJECT DEVELOP</u>	<u>TANF - KENTUCKY WORKS</u>
REVENUES					
Federal Funds	3,262,794.00	146,883.00	0.00	56,561.00	3,059,350.00
State Funds	137,158.00	0.00	67,158.00	70,000.00	0.00
Local Cash	307,188.00	181.00	0.00	138,128.00	127,112.00
MIPPA	0.00	0.00	0.00	0.00	0.00
Other Income	5,176.00	0.00	1,802.00	750.00	967.00
Interest Income	<u>9,045.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL REVENUES	3,721,361.00	147,064.00	68,960.00	265,439.00	3,187,429.00
EXPENDITURES					
Direct Cost					
Salaries	1,176,792.00	62,672.00	32,392.00	101,510.00	967,093.00
Fringe Benefits	634,409.00	33,836.00	17,472.00	54,745.00	521,173.00
Subcontracts	370,636.00	6,915.00	0.00	28,368.00	333,372.00
Space Rent	91,675.00	1,413.00	961.00	3,163.00	85,686.00
Travel	157,481.00	8,088.00	4,563.00	15,588.00	127,667.00
Equipment/Eq Lease	14,248.00	323.00	0.00	524.00	13,401.00
Telephone	22,557.00	216.00	2.00	522.00	21,564.00
Training	5,491.00	0.00	275.00	1,034.00	3,832.00
Supplies	25,870.00	1,184.00	95.00	976.00	23,167.00
Other Expense	60,383.00	7,154.00	254.00	6,896.00	23,882.00
Interest Expense	380.00	0.00	0.00	0.00	0.00
Postage/Printing	8,902.00	306.00	84.00	3,418.00	4,880.00
Short Term Training	264,520.00	0.00	0.00	0.00	264,520.00
Wage Subsidy	339,472.00	0.00	0.00	0.00	339,472.00
Transportation	<u>73,853.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>73,853.00</u>
Total Direct Cost	3,246,669.00	122,107.00	56,098.00	216,744.00	2,803,562.00
Indirect Costs (Applied)	467,225.00	24,957.00	12,862.00	40,327.00	383,867.00
TOTAL EXPENDITURES	3,713,894.00	147,064.00	68,960.00	257,071.00	3,187,429.00
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	<u>7,467.00</u>	<u>0.00</u>	<u>0.00</u>	<u>8,368.00</u>	<u>0.00</u>

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - OTHER PROGRAMS
For the Year Ended June 30, 2012

	<u>KHC/ MOUNTAIN HOUSING</u>	<u>WATER TAP REVOLVING FUND</u>	<u>PRIDE GRANT (NOAA)</u>	<u>EDA REVOLVING FUND</u>	<u>LOCAL/ ADM</u>
REVENUES					
Federal Funds	0.00	0.00	0.00	0.00	0.00
State Funds	0.00	0.00	0.00	0.00	0.00
Local Cash	25,000.00	0.00	0.00	0.00	16,767.00
MIPPA	0.00	0.00	0.00	0.00	0.00
Other Income	3,136.00	0.00	0.00	0.00	(1,479.00)
Interest Income	0.00	76.00	0.00	8,334.00	635.00
TOTAL REVENUES	28,136.00	76.00	0.00	8,334.00	15,923.00
EXPENDITURES					
Direct Cost					
Salaries	13,125.00	0.00	0.00	0.00	0.00
Fringe Benefits	7,183.00	0.00	0.00	0.00	0.00
Subcontracts	0.00	0.00	0.00	0.00	1,981.00
Space Rent	452.00	0.00	0.00	0.00	0.00
Travel	1,197.00	0.00	0.00	0.00	378.00
Equipment/Eq Lease	0.00	0.00	0.00	0.00	0.00
Telephone	253.00	0.00	0.00	0.00	0.00
Training	350.00	0.00	0.00	0.00	0.00
Supplies	100.00	0.00	0.00	0.00	348.00
Other Expense	50.00	1,590.00	87.00	7,682.00	12,788.00
Interest Expense	0.00	0.00	0.00	0.00	380.00
Postage/Printing	214.00	0.00	0.00	0.00	0.00
Short Term Training	0.00	0.00	0.00	0.00	0.00
Wage Subsidy	0.00	0.00	0.00	0.00	0.00
Transportation	0.00	0.00	0.00	0.00	0.00
Total Direct Cost	22,924.00	1,590.00	87.00	7,682.00	15,875.00
Indirect Costs (Applied)	5,212.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	28,136.00	1,590.00	87.00	7,682.00	15,875.00
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	0.00	(1,514.00)	(87.00)	652.00	48.00

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY JFA PROGRAM ELEMENT
For the Year Ended June 30, 2012

	<u>COMM ECONOMIC DEVELOP</u>	<u>COMM DEVELOP BLOCK GRANT</u>	<u>ARC PLANNING & ASSISTANCE</u>	<u>ED ADM</u>	<u>PROGRAM ADM</u>	<u>TOTAL JFA</u>
<u>REVENUES</u>						
Federal Funds	37,010.00	15,845.00	84,214.00	23,269.00	2,722.00	163,060.00
State Funds	3,096.00	15,816.00	85,715.00	6,310.00	5,441.00	116,378.00
State Unmatched	0.00	0.00	0.00	0.00	0.00	0.00
Local Funds	35.00	0.00	1,802.00	0.00	0.00	1,837.00
TOTAL REVENUES	40,141.00	31,661.00	171,731.00	29,579.00	8,163.00	281,275.00
<u>EXPENDITURES</u>						
Salaries	20,221.00	15,564.00	87,280.00	12,961.00	4,171.00	140,197.00
Fringe Benefits	10,798.00	8,331.00	46,855.00	6,971.00	2,215.00	75,170.00
Service Contracts	0.00	273.00	0.00	135.00	120.00	528.00
Travel	456.00	880.00	143.00	2,779.00	0.00	4,258.00
Space Rent	622.00	395.00	2,712.00	395.00	0.00	4,124.00
Supplies	15.00	0.00	0.00	217.00	0.00	232.00
Telephone	0.00	0.00	0.00	1.00	0.00	1.00
Training	0.00	22.00	0.00	265.00	0.00	287.00
Equipment/Eq Lease	0.00	0.00	0.00	0.00	0.00	0.00
Other Expense	15.00	0.00	0.00	305.00	0.00	320.00
Postage/Printing	8.00	12.00	26.00	379.00	1.00	426.00
Total Direct Cost	32,135.00	25,477.00	137,016.00	24,408.00	6,507.00	225,543.00
Indirect Costs (Applied)	8,006.00	6,184.00	34,715.00	5,171.00	1,656.00	55,732.00
TOTAL EXPENDITURES	40,141.00	31,661.00	171,731.00	29,579.00	8,163.00	281,275.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	40,141.00	31,661.00	171,731.00	29,579.00	8,163.00	281,275.00
TOTAL BUDGET	38,367.00	28,378.00	171,430.00	23,413.00	4,338.00	0.00
(OVER)/UNDER BUDGET	(1,774.00)	(3,283.00)	(301.00)	(6,166.00)	(3,825.00)	(281,275.00)

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF INDIRECT COST ALLOCATION
For the Year Ended June 30, 2012

INDIRECT COST

Salaries	385,215.00
Employee Benefits	192,756.00
Service Contracts	2,374.00
Travel	19,719.00
Space Rental	34,421.00
Equipment/Eq Lease	11,207.00
Telephone	35,576.00
Utilities	24,558.00
Software User Fees/Licenses	6,697.00
Maintenance	38,691.00
Supplies	5,062.00
Postage/Printing	11,391.00
Other Expense	9,593.00
Training	7,133.00
Depreciation	20,301.00
Board Expense	3,893.00
Dues & Publications	20,728.00
Insurance	56,758.00
Total Indirect Cost	<u>886,073.00</u>

The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2011	RECEIPTS	DISBURSE- MENTS	CASH ACCRUED JUNE 30, 2012
U.S. Department of Health and Human Services							
Passed through Kentucky Cabinet							
for Health and Family Services							
Title III B	93.044	M-04085004	305,503	-	281,521.00	281,521.00	-
Title III C	93.045	M-04085004	379,955	-	379,955.00	379,955.00	-
NSIP	93.053	M-04085004	110,605	-	110,605.00	110,605.00	-
				-	772,081.00	772,081.00	-
Title VII - Elder Abuse							
Ombudsman Education	93.041	M-04085004	3,321	-	3,321.00	3,321.00	-
Title III D	93.042	M-04085004	6,671	-	6,671.00	6,671.00	-
Caregiver Support Title III E	93.043	M-04085004	13,981	-	13,981.00	13,981.00	-
ACA CMS MPPA II - SHIP	93.052	M-04085004	86,149	-	68,554.00	68,554.00	-
ACA AOA MPPA II - ADRC	93.779	M-04085004	15,844	-	15,844.00	15,844.00	-
ACA AOA MPPA II - AAA	93.518	M-04085004	9,599	-	9,599.00	9,599.00	-
CMS-SHIP	93.518	M-04085004	11,342	-	11,342.00	11,342.00	-
Money Follows the Person	93.779	M-04085004	51,007	-	46,458.00	46,458.00	-
Aging and Disability Resource Center	93.791	M-04085004	8,223	-	8,223.00	8,223.00	-
Kentucky Sobriety and Treatment	93.048	M-04085004	8,701	-	8,701.00	8,701.00	-
Recovery Teams	93.087	M-0800010226	73,900	-	20,472.00	20,472.00	-
Title IV-B	93.556	M-04498416	54,238	-	42,092.00	42,092.00	-
Community Based Child Abuse Prevention	93.590	M-04498416	110,584	-	104,790.00	104,790.00	-
Temporary Assistance to							
Needy Families (KY Works)	93.558	M-04208606	4,010,790	-	3,059,351.00	3,059,351.00	-
Total U.S. Department of Health and Human Services				-	4,191,480.00	4,191,480.00	-

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2011	RECEIPTS	DISBURSE- MENTS	CASH ACCRUED JUNE 30, 2012
<u>Appalachian Regional Commission (ARC)</u>							
Planning & Management	23.009		85,712	-	84,215.00	84,215.00	-
Research, Technical Assistance & Demonstration Projects	23.011		20,333	-	20,333.00	20,333.00	-
Total ARC				-	104,548.00	104,548.00	-
<u>U.S. Department of Housing & Urban Development</u>							
Passed through Prestonsburg Housing Authority:							
Public Housing Capital Fund	14.884		477,000	-	11,925.00	11,925.00	-
Passed through Department for Local Government (DLG)							
Community Development Block Grant	14.228		14,189	-	15,845.00	15,845.00	-
Pikeville Marion Branch Sewer Project	14.228		52,500	-	7,500.00	7,500.00	-
Total CDBG				-	23,345.00	23,345.00	-
Total U.S. Department of Housing & Urban Development				-	35,270.00	35,270.00	-
<u>U.S. Department of Commerce Economic Development Administration</u>							
Passed through Department for Local Government (DLG):							
EDA - Planning Assistance	11.302		63,000	-	63,000.00	63,000.00	-
Economic Adjustment Assistance:							
EDA - Elkhorn City Comprehensive Plan Project	11.307		12,000	-	12,000.00	12,000.00	-
EDA - Title IX EAAP - Revolving Loan Fund	11.307		500,000	-	0.00	310,919.00	-
Total Economic Adjustment Assistance				-	12,000.00	322,919.00	(310,919.00)
U.S. Department of Commerce Economic Development Administration				-	75,000.00	385,919.00	(310,919.00)

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2011	RECEIPTS	DISBURSE- MENTS	CASH ACCRUED JUNE 30, 2012
U.S. Department of Transportation							
Passed through the Kentucky Transportation Cabinet:							
Highway Planning & Construction - Type of Operation	20.205		1,200	-	1,200.00	1,200.00	-
Local Road Updates	20.205		5,500	-	3,033.00	3,033.00	-
Total U.S. Department of Transportation				-	4,233.00	4,233.00	-
U.S. Department of Homeland Security							
Passed through the Kentucky Office of Homeland Security:							
NIMCAST	97.067		2,650	-	570.00	570.00	-
Total Federal Awards				0.00	4,411,101.00	4,722,020.00	(310,919.00)

** The amounts reported are the federal grant activity of Big Sandy Area Development District, Inc. and are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

KY Works subrecipients - 100% federal

KCTCS - Somerset Community College 808 Monticello St Somerset KY 42501	\$ 19,326.00	61-1320380	
Kentucky Refugee Ministries 1206 North Limestone Street Lexington, KY 40505	\$ 53,495.00	61-1229842	
Kentucky Educational Development Corporation 940 W Rose Road Ashland, KY 41102	\$ 75,407.00	61-0659010	
Esther House, Inc PO Box 690 Burkesville, KY 42717	\$ 40,993.00	20-8587449	
Russell County Board of Education 404 S Main Street Jamestown, KY 42629	\$ 133,351.00	61-6001305	
	<u>\$ 322,572.00</u>		

Aging:

IIIB Subrecipients (federal share)

Appalachian Research and Defense Fund of KY, Inc. 140 N Front Street Prestonsburg KY 41653	\$ 5,373	61-0849848	
Pike County Senior Citizens Program, Inc PO Box 751 Pikeville KY 41502	\$ 69,907	61-1160806	0.3846
Martin County Senior Citizens, Inc PO Box 631 Inez KY 41224	\$ 17,128	61-0060988	0.09423
Magoffin County Senior Citizens, Inc PO Box 531 Salyersville KY 41465	\$ 24,652	61-1161769	0.13563
Johnson County Senior Citizens Program, Inc PO Box 446 Paintsville KY 41240	\$ 24,679	61-1161767	0.13578
Floyd County Senior Citizens, Inc 149 S Central Ave Prestonsburg KY 41653	\$ 45,398	61-1160817	0.24976
	\$ 187,137		

CI Subrecipients (federal share)

Pike County Senior Citizens Program, Inc	\$ 63,029
Martin County Senior Citizens, Inc	\$ 15,443
Magoffin County Senior Citizens, Inc	\$ 22,226
Johnson County Senior Citizens Program, Inc	\$ 22,251
Floyd County Senior Citizens, Inc	\$ 40,932
	<u>\$ 163,882</u>

CII subrecipients (federal share)

Pike County Senior Citizens Program, Inc	\$ 83,102
Martin County Senior Citizens, Inc	\$ 20,361
Magoffin County Senior Citizens, Inc	\$ 29,305
Johnson County Senior Citizens Program, Inc	\$ 29,338
Floyd County Senior Citizens, Inc	\$ 53,967
	<u>\$ 216,073</u>

LYNETTE R. SCHINDLER, CPA, PSC

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**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
Big Sandy Area Development District, Inc.

We have audited the financial statements of the governmental activities and the general fund of Big Sandy Area Development District, Inc. as of and for the year ended June 30, 2012, which collectively comprise Big Sandy Area Development District, Inc.'s basic financial statements and have issued our report thereon dated January 15, 2013. 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.

Internal Control Over Financial Reporting

Management of Big Sandy Area Development District, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Big Sandy Area Development District, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Big Sandy Area Development District, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Big Sandy Area Development District, Inc.'s internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Big Sandy Area Development District Inc.'s financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
January 15, 2013

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Sandy Area Development District, Inc.'s financial statements are free of 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*.

We noted certain other matters that we reported to management of Big Sandy Area Development District, Inc. in a separate letter dated January 15, 2013.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
January 15, 2013

LYNETTE R. SCHINDLER, CPA, PSC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

To the Board of Directors
Big Sandy Area Development District, Inc.

Compliance

We have audited the Big Sandy Area Development District, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Big Sandy Area Development District, Inc.'s major federal programs for the year ended June 30, 2012. Big Sandy Area Development District Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Big Sandy Area Development District Inc.'s management. Our responsibility is to express an opinion on Big Sandy Area Development District Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Big Sandy Area Development District Inc.'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. Our audit does not provide a legal determination on Big Sandy Area Development District Inc.'s compliance with those requirements.

In our opinion, Big Sandy Area Development District, Inc. complied, in all material respects, with the 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, 2012.

To the Board of Directors
January 15, 2013

Internal Control Over Compliance

The management of Big Sandy Area Development District, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Big Sandy Area Development District Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Big Sandy Area Development District Inc.'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
January 15, 2013

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

There are no prior audit findings that meet the requirements to be included in this schedule.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Significant deficiencies identified	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are considered to be material weaknesses	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Non-compliance material to financial statements noted	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Federal Awards:

Internal control over major programs:

Significant deficiencies identified	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are considered to be material weaknesses	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

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

Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Major Programs:

CFDA: 93.558 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES -
TANF - Kentucky Works

CFDA 93.590 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES -
Community Based Child Abuse Prevention

CFDA 11.307 U.S. DEPARTMENT OF COMMERCE - Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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- The results of our audit disclosed no findings relating to the financial statements which are required to be reported in accordance with generally accepted governmental auditing standards.
- The results of our audit disclosed no findings or questioned costs for federal awards which are required to be reported under § 520 (a) of OMB Circular A-133.