

**BIG SANDY AREA DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2019**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Big Sandy Area Development District  
Prestonsburg, Kentucky

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Big Sandy Area Development District as of June 30, 2019, and the respective changes in its financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 17 to the financial statements, the District changed its method of classifying funds in the financial statements resulting in funds being separated into governmental and proprietary funds, as appropriate. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 6 and the Schedule of Proportionate Share of the Net Pension and OPEB Liability and Schedule of Pension and OPEB Contributions on pages 34 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplemental schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 on our consideration of Big Sandy Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Sandy Area Development District's internal control over financial reporting and compliance.

*Kelley Ballaway Smith Goodby, PSC*

Ashland, Kentucky  
October 18, 2019

**BIG SANDY AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2019**

As management of the Big Sandy Area Development District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$1,078,829 and the ending cash balance for the District was \$1,007,272.
- The net pension liability required to be recorded under GASB No. 68 increased during the year. The District's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was \$6,067,101 as of June 30, 2018, which represents an increase of \$42,057 from the June 30, 2017 balance of \$6,025,044.
- The OPEB liability was required to be recorded under GASB No. 75 during the year. The District's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the OPEB liability was \$1,768,645 as of June 30, 2018 which represents a decrease from the June 30, 2017 balance of \$2,069,325.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the District primarily include the administration of various federal and state grant programs.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The proprietary fund is the Revolving Loan Fund. All other activities of the District are included in the governmental funds. The basic

fund financial statements can be found on pages 9 - 17 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 33 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,735,687 as of June 30, 2019.

A portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, and furniture and equipment). The District uses these capital assets to provide services to the Big Sandy area; consequently, these assets are not available for future spending.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

#### Net Position as of June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Assets</b>		
Current Assets	\$ 2,277,640	\$ 2,270,077
Noncurrent Assets	670,759	734,093
<b>Total Assets</b>	<u>2,948,399</u>	<u>3,004,170</u>
Deferred outflows	<u>1,990,693</u>	<u>2,618,884</u>
<b>Liabilities</b>		
Current Liabilities	808,809	609,572
Noncurrent Liabilities	7,885,369	8,153,101
<b>Total Liabilities</b>	<u>8,694,178</u>	<u>8,762,673</u>
Deferred inflows	<u>980,601</u>	<u>796,493</u>
<b>Net Position</b>		
Investment in capital assets	640,534	692,154
Restricted	-	294,785
Unrestricted	(5,376,221)	(4,923,051)
<b>Total Net Position</b>	<u>\$ (4,735,687)</u>	<u>\$ (3,936,112)</u>

#### Changes in Net Position for the years ending June 30, 2019 and 2018

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Federal and state revenues	\$ 6,000,639	\$ 6,541,554
Local revenues	1,454,211	1,514,675
In-kind and program income	143,567	287,989
Interest	474	1,016
Other revenues	439,151	363,362
<b>Total revenues</b>	<u>8,038,042</u>	<u>8,708,596</u>
<b>Expenses:</b>		
Personnel	3,823,897	3,954,506
Contractual	3,123,697	4,009,017
Other	1,594,867	1,584,236
<b>Total operating expenses</b>	<u>8,542,461</u>	<u>9,547,759</u>



<b>Operating income (loss)</b>	(504,419)	(839,163)
Non-operating income (expense)	<u>(295,156)</u>	<u>408</u>
<b>Increase (decrease) in net position</b>	(799,575)	(838,755)
Net position - beginning of year, As restated	<u>(3,936,112)</u>	<u>(3,097,357)</u>
<b>Net position - end of year</b>	<u>\$ (4,735,687)</u>	<u>\$ (3,936,112)</u>

**FUND BASIS**

- The District’s total revenues for the governmental funds for the fiscal year ended June 30, 2019 and 2018, net of inter-fund transfers, was approximately \$8.0 million and \$8.7 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$7.9 million and \$8.7 million for the fiscal years ended June 30, 2019 and 2018, respectively.

**Comments on Budget Comparisons**

- General Fund budgeted revenues varied from line item to line item again this year. Total revenues were approximately \$54,000 above budget projections.

**CAPITAL ASSETS**

As of June 30, 2019, the District’s investment in capital assets totaled \$640,534, which is a decrease of \$51,620, or 7.4% over the capital asset balance of \$692,154 at June 30, 2018 due to depreciation expense in conjunction with asset additions. A breakdown of the District’s capital assets is presented in Note (7) of the financial statements.

**LONG-TERM DEBT**

The District’s long-term obligations outstanding as of June 30, 2019 consisted of the following:

	2019	2018
Notes payable	<u>\$ 58,732</u>	<u>\$ 67,838</u>

The decrease in obligations of \$9,106 is due to debt service payments made. Additional information on the District’s long-term debt can be found in Note (8) of the financial statements.

**FUTURE BUDGETARY IMPLICATIONS**

The District’s fiscal year is July 1 - June 30; some federal programs operate on a different fiscal calendar, but are reflected in the District’s overall budget. The District’s beginning cash balance for beginning the 2019 fiscal year is \$1,007,272. There was no significant Board action that impacted the finances during the current year.

Questions regarding this report should be directed to Accountant, Mr. Greg Salyers (606) 886-2374 or by mail at 110 Resource Court, Prestonsburg, Kentucky 41653.

**BIG SANDY AREA DEVELOPMENT DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current assets -			
Cash and cash equivalents	\$ 948,074	\$ 59,198	\$ 1,007,272
Accounts receivable, net	1,247,541	-	1,247,541
Prepaid expenses	11,556	-	11,556
Notes receivable	-	11,271	11,271
Total current assets	<u>2,207,171</u>	<u>70,469</u>	<u>2,277,640</u>
Notes receivable, net of current portion	-	30,225	30,225
Capital assets, net	640,534	-	640,534
Total assets	<u>2,847,705</u>	<u>100,694</u>	<u>2,948,399</u>
Deferred outflows of resources-pension and OPEB	<u>1,990,693</u>	<u>-</u>	<u>1,990,693</u>
Total assets and deferred outflows	<u>\$ 4,838,398</u>	<u>\$ 100,694</u>	<u>\$ 4,939,092</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>			
Current liabilities -			
Accounts payable	\$ 410,746	\$ -	\$ 410,746
Payroll related liabilities	210,223	-	210,223
Unearned revenue	178,731	-	178,731
Notes payable, current portion	9,109	-	9,109
Total current liabilities	<u>808,809</u>	<u>-</u>	<u>808,809</u>
Net pension liability	6,067,101	-	6,067,101
Net OPEB liability	1,768,645	-	1,768,645
Long-term debt	49,623	-	49,623
Total liabilities	<u>8,694,178</u>	<u>-</u>	<u>8,694,178</u>
Deferred inflows of resources-pension and OPEB	<u>980,601</u>	<u>-</u>	<u>980,601</u>
Net position -			
Invested in capital assets, net	640,534	-	640,534
Unrestricted	<u>(5,476,915)</u>	<u>100,694</u>	<u>(5,376,221)</u>
Total net position	<u>(4,836,381)</u>	<u>100,694</u>	<u>(4,735,687)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 4,838,398</u>	<u>\$ 100,694</u>	<u>\$ 4,939,092</u>

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

BIG SANDY AREA DEVELOPMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General administration	\$ 664,207	\$ -	\$ -	\$ -	\$ (664,207)	\$ -	\$ (664,207)
Grant programs	7,877,576	133,354	7,462,181	-	(282,041)	-	(282,041)
Interest expense	671	-	-	-	(671)	-	(671)
Total governmental activities	<u>8,542,454</u>	<u>133,354</u>	<u>7,462,181</u>	<u>-</u>	<u>(946,919)</u>	<u>-</u>	<u>(946,919)</u>
Business-type activities:							
Revolving loan fund	7	2,882	-	-	-	2,875	2,875
Total business-type activities	<u>7</u>	<u>2,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,875</u>	<u>2,875</u>
Total primary government	<u>\$ 8,542,461</u>	<u>\$ 136,236</u>	<u>\$ 7,462,181</u>	<u>\$ -</u>	<u>\$ (946,919)</u>	<u>\$ 2,875</u>	<u>\$ (944,044)</u>
General revenues:							
Contract income					\$ 118,741	\$ -	\$ 118,741
Interest income					403	71	474
Other income					320,410	-	320,410
Return of capital to EDA					-	(295,156)	(295,156)
Total general revenues and transfers					<u>439,554</u>	<u>(295,085)</u>	<u>144,469</u>
Change in net position					(507,365)	(292,210)	(799,575)
Net position, June 30, 2018, as restated					(4,329,016)	392,904	(3,936,112)
Net position, June 30, 2019					<u>\$ (4,836,381)</u>	<u>\$ 100,694</u>	<u>\$ (4,735,687)</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General	Special Revenue (Grant) Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 936,368	\$ 11,706	\$ 948,074
Accounts receivable, net	8,028	1,239,513	1,247,541
Prepaid expenses	11,556	-	11,556
Interfund receivable	451,519	-	451,519
<b>Total assets</b>	<b>\$ 1,407,471</b>	<b>\$ 1,251,219</b>	<b>\$ 2,658,690</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 410,746	\$ 410,746
Payroll related liabilities	-	210,223	210,223
Unearned revenue	-	178,731	178,731
Interfund payable	-	451,519	451,519
<b>Total liabilities</b>	<b>-</b>	<b>1,251,219</b>	<b>1,251,219</b>
<b>Fund Balances:</b>			
Nonspendable	11,556	-	11,556
Assigned	-	-	-
Unassigned	1,395,915	-	1,395,915
<b>Total fund balances</b>	<b>1,407,471</b>	<b>-</b>	<b>1,407,471</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,407,471</b>	<b>\$ 1,251,219</b>	<b>\$ 2,658,690</b>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total fund balance - Governmental Funds	\$ 1,407,471
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$2,013,608 net of accumulated depreciation of \$1,373,074 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	640,534
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	1,990,693
Deferred inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(980,601)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net OPEB liabilities	(1,768,645)
Net pension liabilities	(6,067,101)
Long-term debt	(58,732)
Net position, end of year - Governmental Activities	<u>\$ (4,836,381)</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Federal grant	\$ -	\$ 4,332,029	\$ 4,332,029
State grant	-	1,668,610	1,668,610
Local	-	1,454,211	1,454,211
Program income	-	133,354	133,354
In-kind	-	7,331	7,331
Other income	29,708	290,702	320,410
Contract income	-	118,741	118,741
Interest income	399	4	403
Local funds applied	107,774	(107,774)	-
Total revenues	<u>137,881</u>	<u>7,897,208</u>	<u>8,035,089</u>
<b>EXPENDITURES</b>			
Salaries	-	2,156,272	2,156,272
Fringe benefits	-	1,173,145	1,173,145
Contracts	-	3,100,997	3,100,997
Space rent	-	78,983	78,983
Travel	-	161,461	161,461
Equipment	-	11,590	11,590
Telephone	-	44,458	44,458
Training	-	17,890	17,890
Supplies	-	21,921	21,921
Other	40,267	24,556	64,823
Postage and printing	-	24,039	24,039
Dues and fees	5,267	15,312	20,579
Short term training	-	56,385	56,385
Wage subsidy	-	162,305	162,305
Transportation	-	75,536	75,536
Indirect costs	-	752,726	752,726
Capital outlay	13,431	-	13,431
Debt service	9,723	-	9,723
Total expenditures	<u>68,688</u>	<u>7,877,576</u>	<u>7,946,264</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>69,193</u>	<u>19,632</u>	<u>88,825</u>
<b>Other financing sources (uses):</b>			
Transfers in (out)	19,632	(19,632)	-
Total other financing sources and uses	<u>19,632</u>	<u>(19,632)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	88,825	-	88,825
<b>BEGINNING FUND BALANCES, as restated</b>	<u>1,318,646</u>	<u>-</u>	<u>1,318,646</u>
<b>ENDING FUND BALANCES</b>	<u>\$ 1,407,471</u>	<u>\$ -</u>	<u>\$ 1,407,471</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances - Governmental Funds \$ 88,825

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less than depreciation expense in the current period.

Capital outlay	13,431	
Depreciation expense	<u>(65,051)</u>	(51,620)

Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions or OPEB, and investment experience.

CERS expense - pension and OPEB		(522,001)
CERS contributions - pension and OPEB		(31,675)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds.

Debt payments		<u>9,106</u>
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Change in net position of Governmental Activities		<u><u>\$ (507,365)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**BIG SANDY AREA DEVELOPMENT DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND**

**JUNE 30, 2019**

	<u>RLF FUND</u>
<b>ASSETS</b>	
Current assets -	
Cash and cash equivalents	\$ 59,198
Notes receivable	11,271
Total current assets	<u>70,469</u>
Notes receivable, net of current portion	<u>30,225</u>
Total assets	<u><u>\$ 100,694</u></u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities -	
Accounts payable	\$ -
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net position -	
Restricted for Revolving Loan Program	-
Unrestricted	100,694
Total net position	<u>100,694</u>
Total liabilities, deferred inflows, and net position	<u><u>\$ 100,694</u></u>

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



**BIG SANDY AREA DEVELOPMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>RLF Fund</u>
REVENUES	
Revolving loan interest	\$ 2,882
Other	<u>-</u>
Total revenues	<u>2,882</u>
EXPENSES	
Other direct expenses	<u>7</u>
Total expenses	<u>7</u>
OPERATING INCOME (LOSS)	<u>2,875</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	71
Interest expense	<u>-</u>
Total nonoperating revenues (expenses)	<u>71</u>
CHANGE IN NET POSITION	2,946
RETURN OF CAPITAL TO EDA	<u>(295,156)</u>
BEGINNING NET POSITION, as restated	<u>392,904</u>
ENDING NET POSITION	<u><u>\$ 100,694</u></u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**JUNE 30, 2019**

	<u>RLF Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from:	
Other receipts	\$ 2,882
Cash paid to/for:	
Other payments	(150)
Net cash provided by operating activities	<u>2,732</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on notes receivable	15,945
Return of capital to EDA	(295,156)
Net cash used for capital and related financing activities	<u>(279,211)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	71
Net cash provided by investing activities	<u>71</u>
 NET DECREASE IN CASH	(276,408)
 CASH AT BEGINNING OF YEAR	<u>335,606</u>
 CASH AT END OF YEAR	<u>\$ 59,198</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,875
Change in assets and liabilities:	
Accounts payable	(143)
Net cash provided by operating activities	<u>\$ 2,732</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>					
Other income	\$ 83,450	\$ -	\$ 83,450	\$ 137,482	\$ 54,032
Interest income	-	-	-	399	399
Total revenues	<u>83,450</u>	<u>-</u>	<u>83,450</u>	<u>137,881</u>	<u>54,431</u>
<b>EXPENDITURES</b>					
Other	83,450	-	83,450	40,267	43,183
Dues and fees	-	-	-	5,267	(5,267)
Capital outlay	-	-	-	13,431	(13,431)
Debt service	-	-	-	9,723	(9,723)
Total expenditures	<u>83,450</u>	<u>-</u>	<u>83,450</u>	<u>68,688</u>	<u>14,762</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,193</u>	<u>69,193</u>
Other Financing Sources					
Transfers	-	-	-	19,632	19,632
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,632</u>	<u>19,632</u>
Net change in fund balances	-	-	-	88,825	88,825
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,318,646</u>	<u>1,318,646</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,407,471</u>	<u>\$ 1,407,471</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND - GRANT FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>					
Grant income	\$ 9,303,501	\$ -	\$ 9,303,501	\$ 7,454,850	\$ (1,848,651)
Program income	373,335	-	373,335	133,354	(239,981)
In-kind	-	-	-	7,331	7,331
Other income	400	-	400	182,928	182,528
Contract income	125,810	-	125,810	118,741	(7,069)
Interest income	-	-	-	4	4
Total revenues	<u>9,803,046</u>	<u>-</u>	<u>9,803,046</u>	<u>7,897,208</u>	<u>(1,905,838)</u>
<b>EXPENDITURES</b>					
Salaries	2,275,053	-	2,275,053	2,156,272	118,781
Fringe benefits	1,305,148	-	1,305,148	1,173,145	132,003
Contracts	4,911,174	-	4,911,174	3,395,223	1,515,951
Space rent	90,000	-	90,000	78,983	11,017
Travel	212,686	-	212,686	161,461	51,225
Equipment	12,500	-	12,500	11,590	910
Telephone	39,300	-	39,300	44,458	(5,158)
Training	16,523	-	16,523	17,890	(1,367)
Supplies	34,290	-	34,290	21,921	12,369
Other	18,405	-	18,405	24,556	(6,151)
Postage and printing	23,175	-	23,175	24,039	(864)
Dues and fees	23,008	-	23,008	15,312	7,696
Indirect costs	825,580	-	825,580	752,726	72,854
Total expenses	<u>9,786,842</u>	<u>-</u>	<u>9,786,842</u>	<u>7,877,576</u>	<u>1,909,266</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>16,204</u>	<u>-</u>	<u>16,204</u>	<u>19,632</u>	<u>3,428</u>
Other financing sources (uses):					
Transfers in (out)	-	-	-	(19,632)	(19,632)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,632)</u>	<u>(19,632)</u>
<b>NET CHANGE IN FUND BALANCES</b>	16,204	-	16,204	-	(16,204)
<b>BEGINNING FUND BALANCE, as restated</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 16,204</u>	<u>\$ -</u>	<u>\$ 16,204</u>	<u>\$ -</u>	<u>\$ (16,204)</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

Big Sandy Area Development District (the "District") was founded in 1965, is a multi-county, substate region authorized and organized pursuant to the Statutes of the Commonwealth of Kentucky (KRS 147) which was enabling legislation forming the 15 Area Development Districts. The purpose of the District is 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 District 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.

In evaluating how to define the government for financial reporting purposes, management of the District has considered all potential component units. The criteria for including a potential component unit within the reporting entity are (1) ability to exercise oversight responsibility, (2) scope of public services, and (3) special financing relationships. Based upon these criteria, management has not included any component units.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements - provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All of the District's funds are presented as major due to the District's belief that each fund presents financial information that is important to the financial statement users.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

A description for each class of funds along with the associated restrictions, follows:

#### I. Governmental Fund Types

- (a) The General Fund is used to account for all financial resources except those required to be accounted for in another fund.
- (b) The Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. It includes federally financed programs where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

#### II. Proprietary Fund Types

- (a) Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. The Revolving Loan Fund is considered a major enterprise fund.

#### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The District uses the accrual basis of accounting.

Revenues - The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts based upon the percentage of completion or agreed upon services method.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Deferred revenue arises when funds are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

#### Revolving Loan Notes Receivable

Revolving loan notes receivable are stated at face value, less an allowance for loan losses. The allowance is established through periodic charges to direct expenses.

#### Compensated Absences

The District records a liability for total unpaid vacation time that has accrued. Employees may carry a maximum 20 days forward at year end. The accrued vacation liability is calculated by extending an employee's days at year end times their pay rate, assuming 7 ½ hour work days.

The accrued leave liability for accumulated annual leave reported in the statement of net position at June 30, 2019 was \$98,996.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit at financial institutions.

#### Inventory

Supplies and materials are charged to expenditures when purchased.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by The District.

#### Account Classification

Revenue and expenditure information is maintained separately for each program funded by the special revenue fund, as required by various funding sources.

#### Allowance for Doubtful Accounts

The allowance for loan losses related to revolving loans is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

## Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10-40 years
Equipment	5-10 years
Furniture and fixtures	5-10 years
Automobiles	5 years

## Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as prepaid expenses) or are required to remain intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance - amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the District's policy to use committed and assigned resources first, then unassigned resources as they are needed.

## Budgets and Budgetary Accounting

The District adopts a budget annually. Budgetary restrictions apply primarily at the grant level. The District also adopts a cost allocation plan that is approved by the Department for Local Government.

## In-Kind

In-kind contributions included in the accompanying financial statements consist of donated volunteer time, facilities, or services.

## Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.



## Pension and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources, and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the pension and OPEB plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the District. For the District, those revenues are primarily grants and interest earned on revolving loans. All other revenues are non-operating, such as investment income. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating, such as interest expense.

### Capital Contributions

Capital assets purchased with grant funds are recorded as capital contribution income.

### Cost Allocation Plan

Big Sandy Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms to 2 CFR Part 225. A summary of the cost allocation plan is on pages 23 and 40. The District is in conformity with 2 CFR Part 225.

### Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2020. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and

recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Adoption of this standard did not have a material effect on the District's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

## **(2) ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **(3) COST ALLOCATION**

Joint costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per a written cost allocation plan. All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared (indirect) cost. Direct charges are defined in 2 CFR Part 225, Uniform Guidance as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purpose benefiting more than one grant and/or program element. All costs are recognized under the provisions of 2 CFR Part 225, Uniform Guidance.

#### (4) GRANTS RECEIVABLE

Federal, state, and local receivables are expected to be fully collectible. Federal, state, and local grants receivable consists of the following:

	<u>2019</u>
Aging	\$ 258,211
CDO	193,403
Transportation	12,095
JFA	56,490
SOAR EDA	53,164
Power EDA	23,146
Kentucky Works	410,327
Abandoned Mine Land	140,687
Mountain Housing Corporation	59,191
Various others	<u>40,827</u>
	<u>\$1,247,541</u>

#### (5) INTERFUND RECEIVABLE/PAYABLE

Interfund loans as of June 30, 2019 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 451,519	\$ -
Special revenue	-	451,519
Total	<u>\$ 451,519</u>	<u>\$ 451,519</u>

#### (6) NOTES RECEIVABLE

The Revolving Loan Program was established by initial grants from the Economic Development Administration to assist high-risk small businesses in the area local communities with infrastructure.

	<u>2019</u>
Revolving loans - business	\$ 41,496
Less: allowance for RLP	<u>-</u>
Net loans	41,496
Less: current portion	<u>11,271</u>
Long-term portion of loans	<u>\$ 30,225</u>

The District received a grant of \$457,500 from the U.S. Department of Commerce, Economic Development Administration (EDA) to establish a revolving loan program to stimulate economic development in the area. In addition, the District provided a local match of \$152,500, as required by the grant. On October 10, 2018, the District entered an Agreement to Terminate Financial Assistance Award for Convenience with the Economic Development Administration (EDA). The parties determined the federal share of the program to be \$295,156 and the District remitted the funds to EDA. Therefore, the Program is no longer considered to be restricted in the financial statements.

#### (7) CAPITAL ASSETS

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

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Land, not being depreciated	\$ 41,000	\$ -	\$ -	\$ 41,000
Assets being depreciated:				
Buildings	1,598,347	13,431	-	1,611,778
Equipment	150,949	-	-	150,949
Automobiles	<u>209,881</u>	<u>-</u>	<u>-</u>	<u>209,881</u>
Totals at historical cost	2,000,177	13,431	-	2,013,608
Less: accumulated depreciation	<u>(1,308,023)</u>	<u>(65,051)</u>	<u>-</u>	<u>(1,373,074)</u>
Capital Assets - Net	<u>\$ 692,154</u>	<u>\$ (51,620)</u>	<u>\$ -</u>	<u>\$ 640,534</u>

## (8) LONG-TERM OBLIGATIONS

The District is a 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 current note receivable from Mountain Housing Corporation. The balance of the notes payable at June 30, 2019 was \$58,732 of which \$9,109 is classified as current.

A summary of activity in long-term debt obligations is as follows:

<u>Description</u>	<u>Balance at June 30, 2018</u>	<u>Issued</u>	<u>Payments</u>	<u>Balance at June 30, 2019</u>
Notes payable - 1.0% Maturing 12/31/2030	\$ 67,838	\$ -	\$ 9,106	\$ 58,732
Net pension liability	6,025,044	42,057	-	6,067,101
Net OPEB liability	2,069,325	-	300,680	1,768,645
	<u>\$ 8,162,207</u>	<u>\$ 42,057</u>	<u>\$ 309,786</u>	<u>\$ 7,894,478</u>

The notes payable are secured by all assets and pledged revenues of the District. Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2019:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2020	\$ 9,109	\$ 526	\$ 9,635
2021	9,113	435	9,548
2022	9,117	344	9,461
2023	7,923	262	8,185
2024	7,023	189	7,212
2025-29	15,860	265	16,125
2030-31	587	5	592
	<u>\$ 58,732</u>	<u>\$ 2,026</u>	<u>\$ 60,758</u>

### Net Pension Liability

The net pension liability is \$6,067,101 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2019. See Note 10 for more detailed information.

### Net OPEB Liability

The net OPEB liability is \$1,768,645 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2019. See Note 11 for more detailed information.

## (9) CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was \$1,007,272. The bank balance totaled \$1,080,962, of which \$250,000 was covered by Federal depository insurance, with the remainder covered by collateral.

## (10) PENSION PLAN

### County Employees Retirement System

*Plan description:* Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially

all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2019, employers were required to contribute 21.48% (16.22% - pension, 5.26% insurance) of the member's salary. During the year ending June 30, 2019, the District contributed \$381,665 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS**

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.100%.

For the year ended June 30, 2019, the District recognized pension expense of \$865,392. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197,892	\$ 88,810
Changes of assumptions	592,932	-
Net difference between projected and actual earnings on investments	282,125	354,873
Changes in proportion and differences between District contributions and proportionate share of contributions	59,002	147,467
District contributions subsequent to the measurement date	381,665	-
	<u>\$ 1,513,616</u>	<u>\$ 591,150</u>

The \$381,665 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2020	\$ 448,009
2021	217,014
2022	(91,658)
2023	(32,564)
	<u>\$ 540,801</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years, closed
Payroll Growth	2.00%
Asset Valuation Method	5-year smoothed market
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%

Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	6.09%

*Discount Rate:* The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current discount rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
District's proportionate share of the net pension liability	\$ 7,637,851	\$ 6,067,101	\$ 4,751,087

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

*Payables to the pension plan:* At June 30, 2019, there was a total payable to CERS of \$-0-.

## **(11) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS**

### County Employees Retirement System Insurance Fund

*Plan description:* The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided* - CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

*Contributions:* CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2019, CERS allocated 5.26% of the 21.48% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2019, the District contributed \$123,852 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

*Implicit Subsidy:* The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

#### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund**

At June 30, 2019, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.100%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$214,628, including an implicit subsidy of \$21,108. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 206,112
Changes of assumptions	353,225	4,086
Net difference between projected and actual earnings on investments	-	121,825
Changes in proportion and differences between District contributions and proportionate share of contributions	-	57,428
District contributions subsequent to the measurement date	123,852	-
	<u>\$ 477,077</u>	<u>\$ 389,451</u>



Of the total amount reported as deferred outflows of resources related to OPEB, \$123,852 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2020	\$ (4,715)
2021	(4,715)
2022	(4,715)
2023	18,945
2024	(26,352)
Thereafter	(14,674)
	<u>\$ (36,226)</u>

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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

The long-term expected rate of return was determined by using a building-block method in which best-

estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	6.09%

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	<u>1% Decrease (4.85%)</u>	<u>Current discount rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
District's proportionate share of the net OPEB liability	\$ 2,297,186	\$ 1,768,645	\$ 1,318,424

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates* – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,316,773	\$ 1,768,645	\$ 2,301,271

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

*Payables to the OPEB plan:* At June 30, 2019, there was a total payable to CERS of \$-0-.

## **(12) CONTINGENCIES**

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

## **(13) INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

## **(14) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

## **(15) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

## **(16) UNEARNED REVENUE**

The June 30, 2019 unearned grant revenue includes revenues received, but not earned, as follows:

	<u>2019</u>
Kentucky Works Program	\$ 86,126
UMWA	73,940
Others	18,665
Total unearned revenue	<u>\$ 178,731</u>

**(17) CHANGE IN ACCOUNTING PRINCIPLE**

During the current year, the District changed its method of classifying funds in the financial statements resulting in funds being separated into governmental and proprietary funds, as appropriate. As a result, the beginning equity balances were separated into governmental funds, proprietary funds, governmental activities and business-type activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BIG SANDY AREA DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Pension:					
District's proportion of the net pension liability	0.100%	0.103%	0.100%	0.107%	0.110%
District's proportionate share of the net pension liability	\$ 6,067,101	\$ 6,025,044	\$ 4,913,246	\$ 4,610,707	\$ 3,577,000
District's covered-employee payroll	\$ 2,470,503	\$ 2,495,018	\$ 2,282,665	\$ 2,511,169	\$ 2,529,835
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.582%	241.483%	215.242%	183.608%	141.393%
Plan fiduciary net position as a percentage of the total pension liability	53.540%	53.300%	55.500%	59.970%	66.800%
OPEB:					
District's proportion of the OPEB liability	0.100%	0.103%			
District's proportionate share of the OPEB liability	\$ 1,768,645	\$ 2,069,325			
District's covered-employee payroll	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the OPEB liability as a percentage of its covered-employee payroll	71.590%	82.938%			
Plan fiduciary net position as a percentage of the total OPEB liability	57.620%	52.400%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BIG SANDY AREA DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Pension:</b>						
Contractually required contribution	\$ 381,665	\$ 357,751	\$ 348,055	\$ 283,507	\$ 320,174	\$ 347,524
Contributions in relation to the contractually required contribution	<u>381,665</u>	<u>357,751</u>	<u>348,055</u>	<u>283,507</u>	<u>320,174</u>	<u>347,524</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,393,826	\$ 2,470,503	\$ 2,495,018	\$ 2,282,665	\$ 2,511,169	\$ 2,529,835
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<b>OPEB:</b>						
Contractually required contribution	\$ 123,852	\$ 116,091	\$ 118,014			
Contributions in relation to the contractually required contribution	<u>123,852</u>	<u>116,091</u>	<u>118,014</u>			
Contribution deficiency (excess)	-	-	-			
District's covered-employee payroll	\$ 2,393,826	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	5.26%	4.70%	4.73%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BIG SANDY AREA DEVELOPMENT DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION**

**FOR THE YEAR ENDED JUNE 30, 2019**

**(1) CHANGES OF ASSUMPTIONS**

CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2016, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, closed
Payroll growth	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation



### **(3) CHANGES OF BENEFITS**

#### CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**(1) CHANGES OF ASSUMPTIONS**

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2018:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post – 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

### **(3) CHANGES OF BENEFITS**

#### CERS Insurance Fund

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

## **SUPPLEMENTAL INFORMATION**

**BIG SANDY AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF SHARED COSTS**

**JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
INDIRECT EXPENDITURES:		
Salaries	\$ 318,278	\$ 330,669
Fringe benefits	176,202	181,889
Contractual	22,700	21,588
Travel	5,054	8,787
Space rental	1,615	10,541
Equipment	1,109	1,237
Telephone	37,938	35,164
Utilities	30,057	29,869
Maintenance	27,785	28,176
Supplies	6,640	8,050
Postage and printing	6,441	7,708
Other expense	9,945	5,659
Training	2,772	2,883
Depreciation	28,918	33,750
Dues and publications	9,105	10,778
Insurance	68,167	69,401
Total	<u>\$ 752,726</u>	<u>\$ 786,149</u>

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**JOINT FUNDING ADMINISTRATION PROGRAM**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Community Development Block Grant	ARC Planning and Assistance	Economic Development Administration	JFA Administration	Totals
<b>REVENUES</b>					
Federal grant	\$ 5,000	\$ 82,283	\$ 66,667	\$ -	\$ 153,950
State grant	5,000	82,830	16,667	-	104,497
State unmatched	-	-	14,486	9,049	23,535
Local funds applied	12,614	-	11,182	-	23,796
In-kind	-	-	-	-	-
Total revenues	<u>22,614</u>	<u>165,113</u>	<u>109,002</u>	<u>9,049</u>	<u>305,778</u>
<b>EXPENSES</b>					
Direct expenses:					
Salaries	11,458	86,557	55,347	4,752	158,114
Fringe benefits	6,304	41,672	30,327	2,614	80,917
Space rent	-	-	-	-	-
Travel	834	1,627	2,752	-	5,213
Equipment	-	4,632	-	-	4,632
Training	-	985	970	-	1,955
Supplies	-	563	138	-	701
Other	-	86	55	-	141
Postage and printing	2	1	43	18	64
Total direct expenses	<u>18,598</u>	<u>136,123</u>	<u>89,632</u>	<u>7,384</u>	<u>251,737</u>
Indirect Expenditures	<u>4,016</u>	<u>28,990</u>	<u>19,370</u>	<u>1,665</u>	<u>54,041</u>
Total expenses	<u>22,614</u>	<u>165,113</u>	<u>109,002</u>	<u>9,049</u>	<u>305,778</u>
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING

JUNE 30, 2019

	Title III Administration Breakdown					Support Services B	Title III B Ombuds- man	Cong. Meals C-1	H.D. Meals C-2	Preventive Health D	Caregiver E	VII Elder Abuse	Sub- Totals
	Title III B Adminis- tration	Title III C1 Adminis- tration	Title III C2 Adminis- tration	Title III E Caregiver Admin	Total Title III Adminis- tration								
REVENUES													
Federal grant	\$ 25,194	\$ 17,280	\$ 17,279	\$ 9,570	\$ 69,323	\$ 189,875	\$ 17,209	\$ 164,768	\$ 243,120	\$ 15,798	\$ 90,339	\$ 2,916	\$ 793,348
State grant	11,256	5,597	5,597	-	22,450	4,801	3,300	22,922	7,440	-	19,123	542	80,578
Local	-	-	-	-	-	276,942	-	188,838	808,091	-	-	-	1,273,871
Program income	-	-	-	-	-	3,635	-	79,353	44,098	-	-	-	127,086
In-kind	-	-	-	-	-	-	-	-	-	-	3,665	-	3,665
Local income applied	8,422	6,303	7,106	9,202	31,033	7,240	826	848	4,430	275	7,379	20	52,051
Total revenues	44,872	29,180	29,982	18,772	122,806	482,493	21,335	456,729	1,107,179	16,073	120,506	3,478	2,330,599
EXPENSES:													
Direct expenses:													
Salaries	21,239	14,826	15,248	9,350	60,663	15,332	9,581	10,114	10,238	-	39,632	1,562	147,122
Fringe benefits	11,686	8,158	8,390	5,145	33,379	8,436	5,272	5,565	5,633	-	21,807	859	80,951
Contracts	-	-	-	-	-	453,259	129	437,505	1,087,720	15,406	38,562	21	2,032,602
Space rent	-	-	-	-	-	-	55	-	-	-	-	9	64
Travel	1,168	-	-	-	1,168	24	862	-	-	-	3	140	2,197
Equipment	-	-	-	-	-	-	342	-	-	-	1,070	56	1,468
Telephone	1,545	-	-	-	1,545	-	-	-	-	-	-	-	1,545
Training	-	-	-	-	-	-	5	-	-	-	-	1	6
Supplies	138	-	-	-	138	68	973	-	-	667	20	159	2,025
Other	(2)	-	-	-	(2)	-	-	-	-	-	3,830	-	3,828
Postage and printing	154	-	-	-	154	-	28	-	-	-	898	5	1,085
Dues and fees	1,500	1,000	1,000	1,000	4,500	-	730	-	-	-	794	119	6,143
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	37,428	23,984	24,638	15,495	101,545	477,119	17,977	453,184	1,103,591	16,073	106,616	2,931	2,279,036
Indirect Expenditures	7,444	5,196	5,344	3,277	21,261	5,374	3,358	3,545	3,588	-	13,890	547	51,563
Total expenses	44,872	29,180	29,982	18,772	122,806	482,493	21,335	456,729	1,107,179	16,073	120,506	3,478	2,330,599
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING (CONCLUDED)

JUNE 30, 2019

	Homecare Administration	Homecare	VII Ombudsman	SLTCO	NSIP	SHIP	Medicaid ADRC	FAST	MIPPA AAA	MIPPA SHIP	MIPPA ADRC	Total HC & Other	Area Agency on Aging Totals
<b>REVENUES</b>													
Federal grant	\$ -	\$ -	\$ 5,350	\$ -	\$ 153,766	\$ 25,785	\$ 10,224	\$ 986	\$ 7,774	\$ 12,828	\$ 4,536	\$ 221,249	\$ 1,014,597
State grant	62,844	565,491	994	26,697	-	-	10,224	-	-	-	-	666,250	746,828
Local	-	-	-	-	-	-	-	-	-	-	-	-	1,273,871
Program income	-	6,268	-	-	-	-	-	-	-	-	-	6,268	133,354
In-kind	-	3,666	-	-	-	-	-	-	-	-	-	3,666	7,331
Local income applied	15,417	11,547	38	159	-	4,173	6,081	-	3,974	1,400	1,257	44,046	96,097
Total revenues	78,261	586,972	6,382	26,856	153,766	29,958	26,529	986	11,748	14,228	5,793	941,479	3,272,078
<b>EXPENSES</b>													
Direct expenses:													
Salaries	39,857	291,386	2,866	12,060	-	14,301	13,791	-	6,136	7,135	2,566	390,098	537,220
Fringe benefits	21,931	160,328	1,577	6,636	-	7,869	7,588	-	3,376	3,926	1,412	214,643	295,594
Contracts	-	-	39	163	153,766	-	-	986	-	-	-	154,954	2,187,556
Space rent	-	-	17	69	-	-	-	-	-	-	-	86	150
Travel	161	19,762	258	1,085	-	333	307	-	66	394	774	23,140	25,337
Equipment	-	-	102	430	-	-	-	-	-	-	-	532	2,000
Telephone	-	1,882	-	-	-	-	-	-	-	-	-	1,882	3,427
Training	-	811	1	6	-	1,000	-	-	13	-	-	1,831	1,837
Supplies	10	5,266	291	1,225	-	43	10	-	7	272	-	7,124	9,149
Other	-	4,164	-	-	-	-	-	-	-	-	-	4,164	7,992
Postage and printing	333	1,248	9	36	-	1,400	-	-	-	-	142	3,168	4,253
Dues and fees	2,000	-	218	919	-	-	-	-	-	-	-	3,137	9,280
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	64,292	484,847	5,378	22,629	153,766	24,946	21,696	986	9,598	11,727	4,894	804,759	3,083,795
Indirect expenditures	13,969	102,125	1,004	4,227	-	5,012	4,833	-	2,150	2,501	899	136,720	188,283
Total expenses	78,261	586,972	6,382	26,856	153,766	29,958	26,529	986	11,748	14,228	5,793	941,479	3,272,078
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>													
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**BIG SANDY AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF OTHER GRANTS**

JUNE 30, 2019

	AML	Senior Games	EDA Power	EDA SOAR	CDO	UMWA	GIS	Transportation Planning	Project Department	Comm. Collaborative for Children	Community of Hope	TANF Kentucky Works	Totals
<b>REVENUES</b>													
Federal grant	\$ 551,623	\$ -	\$ 92,068	\$ 74,174	\$ -	\$ -	\$ 262	\$ 9,000	\$ 69,589	\$ 139,556	\$ -	\$ 2,227,210	\$ 3,163,482
State grant	-	-	-	-	676,869	-	50,000	66,881	-	-	-	-	793,750
Local	-	4,332	2,400	-	-	-	-	-	14,790	-	158,818	-	180,340
Other	-	-	-	-	-	284,218	-	-	6,484	-	-	-	290,702
Contract income	-	-	-	-	-	-	-	-	118,741	-	-	-	118,741
Interest income	4	-	-	-	-	-	-	-	-	-	-	-	4
Local funds applied	220	116	8,896	209	(156,946)	-	27,173	8,250	(137,959)	22,374	-	-	(227,667)
Total revenues	551,847	4,448	103,364	74,383	519,923	284,218	77,435	84,131	71,645	161,930	158,818	2,227,210	4,319,352
<b>EXPENSES</b>													
Direct expenses:													
Salaries	7,725	-	37,864	575	249,132	141,236	32,143	39,045	38,478	76,199	-	838,541	1,460,938
Fringe benefits	4,193	-	20,834	316	137,079	77,711	17,685	21,484	14,021	41,926	-	461,385	796,634
Contracts	536,448	4,448	28,112	73,290	9,518	-	-	-	-	1,644	154,982	104,999	913,441
Space rent	-	-	-	-	-	-	-	-	-	-	-	-	78,833
Travel	330	-	1,561	-	4,465	14,155	3,928	5,414	3,369	4,862	366	92,461	130,911
Equipment	-	-	-	-	909	-	3,964	85	-	-	-	-	4,958
Telephone	-	-	795	-	-	-	-	-	467	-	-	-	39,769
Training	-	-	842	-	-	75	2,725	1,815	30	140	-	-	8,471
Supplies	105	-	10	-	3,575	63	537	542	15	735	-	-	6,489
Other	155	-	50	-	3,117	1,263	110	1,103	1,624	8,397	224	-	380
Postage and printing	97	-	-	-	5,424	50	433	558	1,556	1,320	2,852	7,432	19,722
Dues and fees	99	-	25	-	150	165	4,645	400	216	-	-	-	332
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	56,385
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	162,305
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	75,536
Total direct expenses	549,152	4,448	90,093	74,181	413,369	234,718	66,170	70,446	59,776	135,223	158,424	1,933,318	3,789,318
Indirect Expenditures	2,695	-	13,271	202	87,316	49,500	11,265	13,685	11,869	26,707	-	293,892	510,402
Total expenses	551,847	4,448	103,364	74,383	500,685	284,218	77,435	84,131	71,645	161,930	158,424	2,227,210	4,299,720
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	\$ -	\$ -	\$ -	\$ -	\$ 19,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394	\$ -	\$ 19,632

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

JUNE 30, 2019

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	Total Grant Funds	Admin- istrative Expense	Local Operations	Totals
<b>REVENUES</b>							
Federal grant	\$ 153,950	\$ 1,014,597	\$ 3,163,482	\$ 4,332,029	\$ -	\$ -	\$ 4,332,029
State grant	128,032	746,828	793,750	1,668,610	-	-	1,668,610
Local	-	1,273,871	180,340	1,454,211	-	-	1,454,211
Program income	-	133,354	-	133,354	-	-	133,354
In-kind	-	7,331	-	7,331	-	-	7,331
Other income	-	-	290,702	290,702	-	29,708	320,410
Contract income	-	-	118,741	118,741	-	-	118,741
Interest income	-	-	4	4	-	399	403
Local funds applied	23,796	96,097	(227,667)	(107,774)	-	107,774	-
Total revenues	<u>305,778</u>	<u>3,272,078</u>	<u>4,319,352</u>	<u>7,897,208</u>	<u>-</u>	<u>137,881</u>	<u>8,035,089</u>
<b>EXPENSES</b>							
Direct expenses:							
Salaries	158,114	537,220	1,460,938	2,156,272	318,278	-	2,474,550
Fringe benefits	80,917	295,594	796,634	1,173,145	176,202	-	1,349,347
Contracts	-	2,187,556	913,441	3,100,997	22,700	-	3,123,697
Space rent	-	150	78,833	78,983	1,615	-	80,598
Travel	5,213	25,337	130,911	161,461	5,054	-	166,515
Equipment	4,632	2,000	4,958	11,590	1,109	-	12,699
Telephone	-	3,427	41,031	44,458	37,938	-	82,396
Training	1,955	1,837	14,098	17,890	2,772	-	20,662
Supplies	701	9,149	12,071	21,921	6,640	-	28,561
Other	141	7,992	16,423	24,556	135,954	69,802	230,312
Postage and printing	64	4,253	19,722	24,039	6,441	-	30,480
Dues and fees	-	9,280	6,032	15,312	9,105	5,267	29,684
Short term training	-	-	56,385	56,385	-	-	56,385
Wage subsidy	-	-	162,305	162,305	-	-	162,305
Transportation	-	-	75,536	75,536	-	-	75,536
Depreciation	-	-	-	-	28,918	36,133	65,051
Pension and OPEB adjustment	-	-	-	-	-	553,676	553,676
Total direct expenses	<u>251,737</u>	<u>3,083,795</u>	<u>3,789,318</u>	<u>7,124,850</u>	<u>752,726</u>	<u>664,878</u>	<u>8,542,454</u>
Indirect Expenditures	54,041	188,283	510,402	752,726	(752,726)	-	-
Total expenses	<u>305,778</u>	<u>3,272,078</u>	<u>4,299,720</u>	<u>7,877,576</u>	<u>-</u>	<u>664,878</u>	<u>8,542,454</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</b>							
	<u>-</u>	<u>-</u>	<u>19,632</u>	<u>19,632</u>	<u>-</u>	<u>(526,997)</u>	<u>(507,365)</u>
<b>TRANSFER TO (FROM)</b>							
	<u>-</u>	<u>-</u>	<u>(19,632)</u>	<u>(19,632)</u>	<u>-</u>	<u>19,632</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>							
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (507,365)</u>	<u>\$ (507,365)</u>

Reconciliation to Governmental Funds:

Total expenditures per above	\$ 8,542,454
Depreciation expense	(65,051)
Debt payments	9,106
Assets capitalized	13,431
Net pension and OPEB adjustment	(553,676)
Total expenditures per Governmental Funds	<u>\$ 7,946,264</u>

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Economic Development Administration</u>				
Economic Development Assistance - SOAR	11.307	04-79-06942	\$ 73,290	\$ 74,174
Community and Economic Assistance - Power Passed Through the State	11.302	04-86-07119	26,106	92,068
Department of Local Government - JFA - Community and Economic Assistance	11.302	PON2 1900003294 2	-	66,667
Passed through KCTCS Community and Economic Assistance	11.307	04-79-7095	-	10,400
Passed through Pikeville Medical Center Community and Economic Assistance	11.307	04-79-07235	-	10,200
Total Economic Development Cluster			99,396	253,509
<u>U.S. Department of Health and Human Services</u>				
Passed Through the Kentucky Cabinet for Health and Family Services -				
Title III-B - Supportive Services	93.044	PON2 725 1900001251 3	172,682	215,069
Title III-B - Ombudsman	93.044	PON2 725 1900001251 3	-	17,209
Title III-C1 - Nutrition Program	93.045	PON2 725 1900001251 3	169,314	182,048
Title III-C2 - Nutrition Program	93.045	PON2 725 1900001251 3	235,317	260,399
Nutrition Services Incentive Program	93.053	PON2 725 1700000566 2	153,766	153,766
Total Aging Cluster				828,491
Title III-E - Family Caregiver	93.052	PON2 725 1900001251 3	-	99,909
Title III-D - Aging Program Preventive Health	93.043	PON2 725 1900001251 3	15,130	15,798
Title VII - Elder Abuse Prevention	93.041	PON2 725 1900001218 3	-	2,916
Title VII - Ombudsman	93.042	PON2 725 1900001218 3	-	5,350
CMS - SHIP	93.779	PON2 725 1900001119 3	-	25,785
ACA - MIPPA	93.071	PON2 725 1900001159 1	-	25,138
Functional Assessment Service Teams	93.069	PON2 725 1900000533 1	-	986
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 1900000816 2	-	10,224
Community Based Child Abuse Prevention	93.590	PON2 736 1800002003 1	-	139,556
Temporary Assistance to Needy Families (KY Works)	93.558	PON2 736 1900002232 1	104,909	2,227,210 *
Total Department of Health and Human Services			851,118	3,381,363

The accompanying notes are an integral part of this schedule.

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Appalachian Regional Commission</u>				
Passed Through the Kentucky				
Department for Local Government -				
JFA-ARC Planning	23.009	KY-702-E-C52-19	-	82,283
Direct -				
ARC Planning	23.001		-	262
Total Appalachian Regional Commission				<u>82,545</u>
<u>U.S. Department of Transportation</u>				
Passed Through the Kentucky Transportation				
Cabinet - Division of Planning -				
Area Transportation Planning	20.205	SC 625 1900000887	-	9,000
Total U.S. Department of Transportation				<u>9,000</u>
<u>U. S. Department of Housing &amp; Urban Development</u>				
Passed Through the Kentucky				
Department for Local Government -				
Community Development Block Grants	14.228	PON2 1900003294 2	-	5,000
Passed Through City of Elkhorn -				
Community Development Block Grants	14.228	15-037	-	17,500
Passed Through Floyd County Fiscal Court -				
Community Development Block Grants	14.228	14-038	-	7,800
Passed Through City of Pikeville				
Community Development Block Grants	14.228	15-064	-	10,200
Passed Through City of Wayland				
Community Development Block Grants	14.228	15-035	-	6,000
Passed Through Pike County Fiscal Court				
Community Development Block Grants	14.228	15-067	-	7,489
Total Department of Housing & Urban Development				<u>53,989</u>
<u>U.S. Department of Interior Office of Surface Mining Reclamation &amp; Enforcement</u>				
Abandoned Mine Land Reclamation - eKami				
	15.252	PO2 128 1700002616 1	-	344,052
Abandoned Mine Land Reclamation - RTT				
	15.252	SC 128 1700002616 2	-	87,794
Abandoned Mine Land Reclamation - MCW				
	15.252	SC 128 1900000095 1	-	119,777
Total U.S. Department of Interior				<u>551,623</u>
Total Expenditures of Federal Awards			<u>\$ 950,514</u>	<u>\$ 4,332,029</u>

\* Denotes major program.

The accompanying notes are an integral part of this schedule.

**BIG SANDY AREA DEVELOPMENT DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2019**

**(1) BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Big Sandy Area Development District (the District) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance or OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**(3) INDIRECT COST RATE**

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**(4) LOANS**

On October 10, 2018, the District entered an Agreement to Terminate Financial Assistance Award for Convenience with the Economic Development Administration (EDA). The parties determined the federal share of the program to be \$295,156 and the District remitted the funds to EDA. Therefore, the Program is considered discontinued retroactively to July 1, 2018.



**Kelley Galloway  
Smith Goolsby, 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  
Prestonsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Big Sandy Area Development District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Big Sandy Area Development District's basic financial statements, and have issued our report thereon dated October 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Big Sandy Area Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Sandy Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Sandy Area Development District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Big Sandy Area Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kelley Galloway Smith Goolsby, PSC*

Ashland, Kentucky  
October 18, 2019



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**S**mith **G**oolsby, PSC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Big Sandy Area Development District  
Prestonsburg, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Big Sandy Area Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kelley Hallaway Smith Goolsby, PSC*

Ashland, Kentucky  
October 18, 2019

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**A. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements-***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards-***

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of Major Programs: CFDA No.

Temporary Assistance to Needy Families (Kentucky Works) 93.558

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

Auditee qualified as low risk auditee?   X   Yes \_\_\_\_\_ No

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**B. FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted in the current year.

**BIG SANDY AREA DEVELOPMENT DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings in the prior year.