

BIG SANDY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements -	
Statement of Net Position.....	7
Statement of Activities	8
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position - Proprietary Fund.....	13
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	14
Statement of Cash Flows - Proprietary Fund.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund – Grant Fund	17
Notes to Financial Statements.....	18-33
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of the Net Pension and OPEB Liability	34
Schedule of Pension and OPEB Contributions	35
Notes to Required Supplementary Information.....	36-39
SUPPLEMENTAL INFORMATION:	
Other -	
Schedule of Shared Costs	40
Schedule of Revenues and Expenses – Joint Funding Administration Program	41
Statement of Completed Grants – Area Agency on Aging	42-43
Schedule of Other Grants	44
Statement of Operations by Program and Supporting Services	45
Schedule of Expenditures of Federal Awards	46-48

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	49-50
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	51-52
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	53-54
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	55



Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.ksgcpa.com Member of  GLOBAL

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Big Sandy Area Development District as of June 30, 2021, 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.

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 November 12, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 Dalloway Smith Godby, PSC

Ashland, Kentucky
November 12, 2021

**BIG SANDY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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 \$1,113,333 and the ending cash balance for the District was \$1,524,722.
- 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 \$7,267,170 as of June 30, 2020, which represents an increase of \$684,522 from the June 30, 2019 balance of \$6,582,648.
- 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 \$2,287,248 as of June 30, 2020 which represents a increase of \$713,409 from the June 30, 2019 balance of \$1,573,839.

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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 \$5,757,203 as of June 30, 2021.

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, 2021 and 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Assets		
Current Assets	\$ 2,520,048	\$ 2,473,267
Noncurrent Assets	548,508	611,469
Total Assets	<u>3,068,556</u>	<u>3,084,736</u>
Deferred outflows	<u>2,158,239</u>	<u>1,903,629</u>
Liabilities		
Current Liabilities	750,738	916,178
Noncurrent Liabilities	9,585,810	8,197,000
Total Liabilities	<u>10,336,548</u>	<u>9,113,178</u>
Deferred inflows	<u>647,450</u>	<u>1,111,866</u>
Net Position		
Investment in capital assets	528,814	586,587
Restricted	9,139	238
Unrestricted	(6,295,156)	(5,823,504)
Total Net Position	<u>\$ (5,757,203)</u>	<u>\$ (5,236,679)</u>

Changes in Net Position for the years ending June 30, 2021 and 2020

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenues:		
Federal and state revenues	\$ 8,845,250	\$ 7,015,127
Local revenues	816,744	1,165,718
In-kind and program income	118,244	132,509
Interest	687	604
Other revenues	263,502	349,815
Total revenues	<u>10,044,427</u>	<u>8,663,773</u>

Expenses:		
Personnel	3,495,156	3,481,742
Contractual	5,183,567	3,668,997
Other	1,886,228	2,014,026
Total operating expenses	<u>10,564,951</u>	<u>9,164,765</u>
Operating income (loss)	(520,524)	(500,992)
Non-operating income (expense)	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(520,524)	(500,992)
Net position - beginning of year	<u>(5,236,679)</u>	<u>(4,735,687)</u>
Net position - end of year	<u>\$ (5,757,203)</u>	<u>\$ (5,236,679)</u>

FUND BASIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2021 and 2020, net of inter-fund transfers, was approximately \$10.0 million and \$8.4 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$9.8 million and \$8.4 million for the fiscal years ended June 30, 2021 and 2020, respectively.

Comments on Budget Comparisons

- General Fund budgeted revenues varied from line item to line item again this year. Total revenues were approximately \$160,000 above budget.

CAPITAL ASSETS

As of June 30, 2021, the District's investment in capital assets totaled \$528,814, which is a decrease of \$57,773, or 8.4% over the capital asset balance of \$586,587 as of June 30, 2020 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, 2021 and 2020 consisted of the following:

	2021	2020
Notes payable	<u>\$ 40,509</u>	<u>\$ 49,622</u>

The decrease in obligations of \$9,113 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 2022 fiscal year is \$1,524,722. 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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets -			
Cash and cash equivalents	\$ 1,446,363	\$ 78,359	\$ 1,524,722
Accounts receivable, net	979,366	-	979,366
Prepaid expenses	9,623	-	9,623
Notes receivable	-	6,337	6,337
Total current assets	<u>2,435,352</u>	<u>84,696</u>	<u>2,520,048</u>
Notes receivable, net of current portion	-	19,694	19,694
Capital assets, net	528,814	-	528,814
Total assets	<u>2,964,166</u>	<u>104,390</u>	<u>3,068,556</u>
Deferred outflows of resources-pension and OPEB	2,158,239	-	2,158,239
Total assets and deferred outflows	<u>\$ 5,122,405</u>	<u>\$ 104,390</u>	<u>\$ 5,226,795</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current liabilities -			
Accounts payable	\$ 220,349	\$ -	\$ 220,349
Payroll related liabilities	243,887	-	243,887
Unearned revenue	277,385	-	277,385
Notes payable, current portion	9,117	-	9,117
Total current liabilities	<u>750,738</u>	<u>-</u>	<u>750,738</u>
Net pension liability	7,267,170	-	7,267,170
Net OPEB liability	2,287,248	-	2,287,248
Long-term debt, net of current portion	31,392	-	31,392
Total liabilities	<u>10,336,548</u>	<u>-</u>	<u>10,336,548</u>
Deferred inflows of resources-pension and OPEB	647,450	-	647,450
Net position -			
Invested in capital assets, net	528,814	-	528,814
Restricted	9,139	-	9,139
Unrestricted	(6,399,546)	104,390	(6,295,156)
Total net position	<u>(5,861,593)</u>	<u>104,390</u>	<u>(5,757,203)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 5,122,405</u>	<u>\$ 104,390</u>	<u>\$ 5,226,795</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, 2021

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
Primary government:							
Governmental activities:							
General administration	\$ 734,149	\$ -	\$ -	\$ -	\$ (734,149)	\$ -	\$ (734,149)
Grant programs	9,830,367	110,453	9,646,512	-	(73,402)	-	(73,402)
Interest expense	435	-	-	-	(435)	-	(435)
Total governmental activities	<u>10,564,951</u>	<u>110,453</u>	<u>9,646,512</u>	<u>-</u>	<u>(807,986)</u>	<u>-</u>	<u>(807,986)</u>
Business-type activities:							
Revolving loan fund	-	1,541	-	-	-	1,541	1,541
Total business-type activities	<u>-</u>	<u>1,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,541</u>	<u>1,541</u>
Total primary government	<u>\$ 10,564,951</u>	<u>\$ 111,994</u>	<u>\$ 9,646,512</u>	<u>\$ -</u>	<u>\$ (807,986)</u>	<u>\$ 1,541</u>	<u>\$ (806,445)</u>
General revenues:							
Contract income					\$ 24,395	\$ -	\$ 24,395
Interest income					649	38	687
Other income					260,839	-	260,839
Total general revenues and transfers					<u>285,883</u>	<u>38</u>	<u>285,921</u>
Change in net position					(522,103)	1,579	(520,524)
Net position, June 30, 2020					<u>(5,339,490)</u>	<u>102,811</u>	<u>(5,236,679)</u>
Net position, June 30, 2021					<u>\$ (5,861,593)</u>	<u>\$ 104,390</u>	<u>\$ (5,757,203)</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, 2021**

	General	Special Revenue (Grant) Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,368,503	\$ 77,860	\$ 1,446,363
Accounts receivable, net	5,064	974,302	979,366
Prepaid expenses	9,623	-	9,623
Interfund receivable	301,402	-	301,402
Total assets	\$ 1,684,592	\$ 1,052,162	\$ 2,736,754
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 220,349	\$ 220,349
Payroll related liabilities	-	243,887	243,887
Unearned revenue	-	277,385	277,385
Interfund payable	-	301,402	301,402
Total liabilities	-	1,043,023	1,043,023
Fund Balances:			
Restricted	-	9,139	9,139
Nonspendable	9,623	-	9,623
Unassigned	1,674,969	-	1,674,969
Total fund balances	1,684,592	9,139	1,693,731
Total liabilities and fund balances	\$ 1,684,592	\$ 1,052,162	\$ 2,736,754

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, 2021**

Total fund balance - Governmental Funds	\$ 1,693,731
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$2,023,209 net of accumulated depreciation of \$1,494,395 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	528,814
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	2,158,239
Deferred inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(647,450)
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	(2,287,248)
Net pension liabilities	(7,267,170)
Long-term debt	<u>(40,509)</u>
Net position, end of year - Governmental Activities	<u>\$ (5,861,593)</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 BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Federal grant	\$ -	\$ 7,057,949	\$ 7,057,949
State grant	-	1,787,301	1,787,301
Local	-	793,471	793,471
Program income	-	110,453	110,453
In-kind	-	7,791	7,791
Other income	44,553	216,286	260,839
Contract income	-	24,395	24,395
Interest income	536	113	649
Local funds applied	151,258	(151,258)	-
Total revenues	<u>196,347</u>	<u>9,846,501</u>	<u>10,042,848</u>
EXPENDITURES			
Salaries	1,021	2,228,622	2,229,643
Fringe benefits	587	1,264,924	1,265,511
Contracts	-	5,183,567	5,183,567
Space rent	-	82,879	82,879
Travel	-	32,792	32,792
Equipment	-	51,929	51,929
Telephone	-	36,837	36,837
Training	-	5,321	5,321
Supplies	54	23,829	23,883
Other	(4,549)	36,901	32,352
Postage and printing	-	25,088	25,088
Dues and fees	-	4,695	4,695
Short term training	-	3,990	3,990
Wage subsidy	-	25,338	25,338
Transportation	-	46,128	46,128
Indirect costs	358	777,527	777,885
Capital outlay	-	-	-
Debt service	9,548	-	9,548
Total expenditures	<u>7,019</u>	<u>9,830,367</u>	<u>9,837,386</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>189,328</u>	<u>16,134</u>	<u>205,462</u>
Other financing sources (uses):			
Transfers in (out)	7,233	(7,233)	-
Total other financing sources and uses	<u>7,233</u>	<u>(7,233)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	196,561	8,901	205,462
BEGINNING FUND BALANCES	<u>1,488,031</u>	<u>238</u>	<u>1,488,269</u>
ENDING FUND BALANCES	<u>\$ 1,684,592</u>	<u>\$ 9,139</u>	<u>\$ 1,693,731</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, 2021**

Net change in fund balances - Governmental Funds \$ 205,462

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	-	
Depreciation expense	<u>(57,773)</u>	(57,773)

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		(678,011)
CERS contributions - pension and OPEB		(894)

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>9,113</u>
---------------	--	--------------

Change in net position of Governmental Activities		<u><u>\$ (522,103)</u></u>
---	--	----------------------------

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, 2021

	RLF FUND
ASSETS	
Current assets -	
Cash and cash equivalents	\$ 78,359
Notes receivable	6,337
Total current assets	84,696
Notes receivable, net of current portion	19,694
Total assets	\$ 104,390
LIABILITIES AND NET POSITION	
Current liabilities -	
Accounts payable	\$ -
Total current liabilities	-
Total liabilities	-
Net position -	
Restricted for Revolving Loan Program	-
Unrestricted	104,390
Total net position	104,390
Total liabilities and net position	\$ 104,390

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, 2021

	<u>RLF Fund</u>
REVENUES	
Revolving loan interest	\$ 1,541
Other	-
Total revenues	<u>1,541</u>
EXPENSES	
Other direct expenses	-
Total expenses	<u>-</u>
OPERATING INCOME (LOSS)	<u>1,541</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	38
Interest expense	-
Total nonoperating revenues (expenses)	<u>38</u>
CHANGE IN NET POSITION	1,579
BEGINNING NET POSITION	<u>102,811</u>
ENDING NET POSITION	<u><u>\$ 104,390</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**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>RLF Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from:	
Other receipts	\$ 1,541
Cash paid to/for:	
Other payments	<u>-</u>
Net cash provided by operating activities	<u>1,541</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on notes receivable	<u>4,886</u>
Net cash provided by capital and related financing activities	<u>4,886</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>38</u>
Net cash provided by investing activities	<u>38</u>
 NET INCREASE IN CASH	6,465
 CASH AT BEGINNING OF YEAR	<u>71,894</u>
 CASH AT END OF YEAR	<u><u>\$ 78,359</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,541
Change in assets and liabilities:	
Accounts payable	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 1,541</u></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, 2021**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Other income	\$ 36,500	\$ -	\$ 36,500	\$ 195,811	\$ 159,311
Interest income	-	-	-	536	536
Total revenues	<u>36,500</u>	<u>-</u>	<u>36,500</u>	<u>196,347</u>	<u>159,847</u>
EXPENDITURES					
Salaries	-	-	-	1,021	(1,021)
Fringe benefits	-	-	-	587	(587)
Supplies	-	-	-	54	(54)
Other	16,400	-	16,400	(4,549)	20,949
Indirect costs	-	-	-	358	(358)
Capital outlay	-	-	-	-	-
Debt service	-	-	-	9,548	(9,548)
Total expenditures	<u>16,400</u>	<u>-</u>	<u>16,400</u>	<u>7,019</u>	<u>9,381</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,100</u>	<u>-</u>	<u>20,100</u>	<u>189,328</u>	<u>169,228</u>
Other Financing Sources					
Transfers	-	-	-	7,233	7,233
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,233</u>	<u>7,233</u>
Net change in fund balances	20,100	-	20,100	196,561	176,461
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,488,031</u>	<u>1,488,031</u>
Fund balance, end of year	<u>\$ 20,100</u>	<u>\$ -</u>	<u>\$ 20,100</u>	<u>\$ 1,684,592</u>	<u>\$ 1,664,492</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, 2021**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Grant income	\$ 13,750,671	\$ -	\$ 13,750,671	\$ 9,638,721	\$ (4,111,950)
Program income	108,000	-	108,000	110,453	2,453
In-kind	-	-	-	7,791	7,791
Other income	36,500	-	36,500	65,028	28,528
Contract income	-	-	-	24,395	24,395
Interest income	-	-	-	113	113
Total revenues	<u>13,895,171</u>	<u>-</u>	<u>13,895,171</u>	<u>9,846,501</u>	<u>(4,048,670)</u>
EXPENDITURES					
Salaries	2,400,253	-	2,400,253	2,228,622	171,631
Fringe benefits	1,392,146	-	1,392,146	1,264,924	127,222
Contracts	8,573,656	-	8,573,656	5,259,023	3,314,633
Space rent	105,000	-	105,000	82,879	22,121
Travel	221,806	-	221,806	32,792	189,014
Equipment	38,286	-	38,286	51,929	(13,643)
Telephone	52,500	-	52,500	36,837	15,663
Training	23,659	-	23,659	5,321	18,338
Supplies	49,028	-	49,028	23,829	25,199
Other	31,400	-	31,400	36,901	(5,501)
Postage and printing	27,302	-	27,302	25,088	2,214
Dues and fees	20,650	-	20,650	4,695	15,955
Indirect costs	830,630	-	830,630	777,527	53,103
Total expenses	<u>13,766,316</u>	<u>-</u>	<u>13,766,316</u>	<u>9,830,367</u>	<u>3,935,949</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>128,855</u>	<u>-</u>	<u>128,855</u>	<u>16,134</u>	<u>(112,721)</u>
Other financing sources (uses):					
Transfers in (out)	-	-	-	(7,233)	(7,233)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,233)</u>	<u>(7,233)</u>
NET CHANGE IN FUND BALANCES	128,855	-	128,855	8,901	(119,954)
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>238</u>	<u>238</u>
ENDING FUND BALANCE	<u>\$ 128,855</u>	<u>\$ -</u>	<u>\$ 128,855</u>	<u>\$ 9,139</u>	<u>\$ (119,716)</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, 2021**

(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 fees 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 contract income, is 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, 2021 was \$103,759.

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 asset's 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 that time.

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, deferred outflows, liabilities, and deferred inflows. 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, 2021. The adoption of this standard did not have a material effect on the District's 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, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its 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, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the District beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the District beginning with its year ending June 30, 2023. 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) ACCOUNTS RECEIVABLE

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

	<u>2021</u>
Aging	\$ 344,835
CDO	202,671
JFA	89,629
Transportation	13,978
Kentucky Works	230,907
Abandoned Mine Land	11,452
Mountain Housing Corporation	37,409
Various others	48,485
	<u>\$ 979,366</u>

(5) INTERFUND RECEIVABLE/PAYABLE

Interfund loans as of June 30, 2021 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 301,402	\$ -
Special revenue	-	301,402
Total	<u>\$ 301,402</u>	<u>\$ 301,402</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>2021</u>
Revolving loans - business	\$ 26,031
Less: allowance for RLP	-
Net loans	26,031
Less: current portion	6,337
Long-term portion of loans	<u>\$ 19,694</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, 2021, was as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Land, not being depreciated	\$ 41,000	\$ -	\$ -	\$ 41,000
Assets being depreciated:				
Buildings	1,621,379	-	-	1,621,379
Equipment	150,949	-	-	150,949

Automobiles	209,881	-	-	209,881
Totals at historical cost	2,023,209	-	-	2,023,209
Less: accumulated depreciation	(1,436,622)	(57,773)	-	(1,494,395)
Capital Assets - Net	<u>\$ 586,587</u>	<u>\$ (57,773)</u>	<u>\$ -</u>	<u>\$ 528,814</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, 2021 was \$40,509 of which \$9,117 is classified as current.

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

<u>Description</u>	<u>Balance at June 30, 2020</u>	<u>Issued</u>	<u>Payments</u>	<u>Balance at June 30, 2021</u>
Notes payable - 1.0%				
Maturing 12/31/2030	\$ 49,622	\$ -	\$ 9,113	\$ 40,509
Net pension liability	6,582,648	684,522	-	7,267,170
Net OPEB liability	1,573,839	713,409	-	2,287,248
	<u>\$ 8,206,109</u>	<u>\$ 1,397,931</u>	<u>\$ 9,113</u>	<u>\$ 9,594,927</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, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2022	\$ 9,117	\$ 344	\$ 9,461
2023	7,923	262	8,185
2024	7,023	189	7,212
2025	5,644	105	5,749
2026	5,648	73	5,721
2027-31	5,154	68	5,222
	<u>\$ 40,509</u>	<u>\$ 1,041</u>	<u>\$ 41,550</u>

Net Pension Liability

The net pension liability is \$7,267,170 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2021. See Note 10 for more detailed information.

Net OPEB Liability

The net OPEB liability is \$2,287,248 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2021. 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 \$1,524,722. The bank balance totaled \$1,608,075, 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, 2021, employers were required to contribute 24.06% (19.30% - pension, 4.76% insurance) of the member's salary. During the year ending June 30, 2021, the District contributed \$467,715 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, 2021, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the District's proportion was 0.094749%.

For the year ended June 30, 2021, the District recognized pension expense of approximately \$1,026,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 181,220	\$ -
Changes of assumptions	283,771	-
Net difference between projected and actual earnings on investments	181,851	-
Changes in proportion and differences between District contributions and proportionate share of contributions	61,624	150,558
District contributions subsequent to the measurement date	467,715	-
	<u>\$ 1,176,181</u>	<u>\$ 150,558</u>

The \$467,715 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, 2022.

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>	
2022	\$ 208,207
2023	184,654
2024	92,011
2025	73,036
	<u>\$ 557,908</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date:	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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>
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private US Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	3.96%

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

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 Board's proportionate share of the net pension liability to changes in the discount rate: The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Board'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:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 8,962,002	\$ 7,267,170	\$ 5,863,785

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, 2021, 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, 2021, CERS allocated 4.76% of the 24.06% 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, 2021, the District contributed \$115,325 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, 2021, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020 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, 2020. At June 30, 2020, the District's proportion was 0.094722%.

For the year ended June 30, 2021, the District recognized OPEB expense of approximately \$284,000, including an implicit subsidy of \$47,601. At June 30, 2021, 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	\$ 382,151	\$ 382,450
Changes of assumptions	397,846	2,419
Net difference between projected and actual earnings on investments	76,023	-
Changes in proportion and differences		

between District contributions and proportionate share of contributions	10,713	112,023
District contributions subsequent to the measurement date	<u>115,325</u>	<u>-</u>
	<u>\$ 982,058</u>	<u>\$ 496,892</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$115,325 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, 2022.

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 OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2022	\$ 99,158
2023	121,655
2024	78,616
2025	80,782
2026	(10,370)
Thereafter	-
	<u>\$ 369,841</u>

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 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	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019

Post-retirement (disabled)

PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

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>
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private US Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	3.96%

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

Discount rate - The discount rate used to measure the total OPEB liability was 5.34%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS’

actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the Board's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34%, as well as what the Board'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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	1% Decrease (4.34%)	Current discount rate (5.34%)	1% Increase (6.34%)
District's proportionate share of the net OPEB liability	\$ 2,938,443	\$ 2,287,248	\$ 1,752,401

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,770,902	\$ 2,287,248	\$ 2,913,847

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, 2021, 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, 2021 unearned grant revenue includes revenues received, but not earned, as follows:

	<u>2021</u>
Kentucky Works Program	\$ 86,126
UMWA	180,360
Others	<u>10,899</u>
Total unearned revenue	<u>\$ 277,385</u>

(17) ECONOMIC UNCERTAINTIES

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which could negatively impact future revenue. Other financial impact could occur, but such potential impact is unknown at this time.

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, 2021**

	<u>Reporting Fiscal Year (Measurement Date)</u> 2021 (2020)	<u>Reporting Fiscal Year (Measurement Date)</u> 2020 (2019)	<u>Reporting Fiscal Year (Measurement Date)</u> 2019 (2018)	<u>Reporting Fiscal Year (Measurement Date)</u> 2018 (2017)	<u>Reporting Fiscal Year (Measurement Date)</u> 2017 (2016)	<u>Reporting Fiscal Year (Measurement Date)</u> 2016 (2015)	<u>Reporting Fiscal Year (Measurement Date)</u> 2015 (2014)
Pension:							
District's proportion of the net pension liability	0.095%	0.094%	0.100%	0.103%	0.100%	0.107%	0.110%
District's proportionate share of the net pension liability	\$ 7,267,170	\$ 6,582,648	\$ 6,067,101	\$ 6,025,044	\$ 4,913,246	\$ 4,610,707	\$ 3,577,000
District's covered-employee payroll	\$ 2,426,992	\$ 2,353,052	\$ 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	299.431%	279.749%	245.582%	241.483%	215.242%	183.608%	141.393%
Plan fiduciary net position as a percentage of the total pension liability	47.810%	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
OPEB:							
District's proportion of the OPEB liability	0.095%	0.094%	0.100%	0.103%			
District's proportionate share of the OPEB liability	\$ 2,287,248	\$ 1,573,839	\$ 1,768,645	\$ 2,069,325			
District's covered-employee payroll	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the OPEB liability as a percentage of its covered-employee payroll	94.242%	66.885%	71.590%	82.938%			
Plan fiduciary net position as a percentage of the total OPEB liability	51.670%	60.400%	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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pension:								
Contractually required contribution	\$ 467,715	\$ 468,432	\$ 381,665	\$ 357,751	\$ 348,055	\$ 283,507	\$ 320,174	\$ 347,524
Contributions in relation to the contractually required contribution	<u>467,715</u>	<u>468,432</u>	<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	\$2,423,277	\$ 2,426,992	\$ 2,353,052	\$ 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	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
OPEB:								
Contractually required contribution	\$ 115,325	\$ 115,502	\$ 123,852	\$ 116,091	\$ 118,014			
Contributions in relation to the contractually required contribution	<u>115,325</u>	<u>115,502</u>	<u>123,852</u>	<u>116,091</u>	<u>118,014</u>			
Contribution deficiency (excess)	-	-	-	-	-			
District's covered-employee payroll	\$2,423,277	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	4.76%	4.76%	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, 2021

(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%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2020:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

(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 2018, determined as of July 1, 2017. 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	26 years, closed
Payroll growth	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	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(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, 2020 is determined using these updated benefit provisions.

BIG SANDY AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

FOR THE YEAR ENDED JUNE 30, 2021

(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%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2020:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

(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, 2020:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 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	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.25% at January 1, 2020 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% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(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, 2020, is determined using these updated benefit provisions.

SUPPLEMENTAL INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF SHARED COSTS

JUNE 30, 2021

	<u>2021</u>	<u>2020</u>
INDIRECT EXPENDITURES:		
Salaries	\$ 340,655	\$ 344,831
Fringe benefits	204,044	201,586
Contractual	18,750	19,473
Travel	1,832	4,769
Space rental	2,100	-
Equipment	6,236	3,333
Telephone	41,858	52,492
Utilities	29,082	28,014
Maintenance	26,339	27,463
Supplies	2,349	6,875
Postage and printing	7,436	11,105
Other expense	2,615	5,831
Training	1,120	40
Depreciation	24,014	28,454
Dues and publications	9,886	8,528
Insurance	59,570	59,273
Total	<u>\$ 777,886</u>	<u>\$ 802,067</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF REVENUES AND EXPENSES

JOINT FUNDING ADMINISTRATION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2021

	Community Development Block Grant	ARC Planning and Assistance	Economic Development Administration	JFA Administration	Totals
REVENUES					
Federal grant	\$ 5,000	\$ 74,520	\$ 66,667	\$ -	\$ 146,187
State grant	5,000	90,770	16,667	-	112,437
State unmatched	-	-	28	-	28
Local funds applied	-	-	2,309	-	2,309
In-kind	-	-	-	-	-
Total revenues	<u>10,000</u>	<u>165,290</u>	<u>85,671</u>	<u>-</u>	<u>260,961</u>
EXPENSES					
Direct expenses:					
Salaries	5,073	89,550	43,875	-	138,498
Fringe benefits	2,915	43,239	25,214	-	71,368
Space rent	-	-	-	-	-
Travel	-	321	516	-	837
Equipment	-	874	-	-	874
Training	216	1,310	250	-	1,776
Supplies	-	291	200	-	491
Other	-	135	159	-	294
Postage and printing	18	16	80	-	114
Total direct expenses	<u>8,222</u>	<u>135,736</u>	<u>70,294</u>	<u>-</u>	<u>214,252</u>
Indirect Expenditures	<u>1,778</u>	<u>29,554</u>	<u>15,377</u>	<u>-</u>	<u>46,709</u>
Total expenses	<u>10,000</u>	<u>165,290</u>	<u>85,671</u>	<u>-</u>	<u>260,961</u>
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING
FOR THE YEAR ENDED JUNE 30, 2021

	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	\$ 21,543	\$ 25,613	\$ 37,414	\$ 10,789	\$ 95,359	\$ 228,795	\$ 12,700	\$ 250,227	\$ 629,800	\$ 11,506	\$131,616	\$ 1,982	\$ 1,361,985
State grant	8,862	8,538	4,459	-	21,859	8,430	3,300	9,569	41,756	-	18,491	-	103,405
Local	-	-	-	-	-	185,368	-	128,773	479,322	-	-	-	793,463
Program income	-	-	-	-	-	2	-	50,362	56,453	-	-	-	106,817
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-
Local income applied	-	16,790	7,678	3,608	28,076	116	-	1,190	-	-	7,574	350	37,306
Total revenues	<u>30,405</u>	<u>50,941</u>	<u>49,551</u>	<u>14,397</u>	<u>145,294</u>	<u>422,711</u>	<u>16,000</u>	<u>440,121</u>	<u>1,207,331</u>	<u>11,506</u>	<u>157,681</u>	<u>2,332</u>	<u>2,402,976</u>
EXPENSES:													
Direct expenses:													
Salaries	14,820	25,827	25,111	6,841	72,599	11,018	7,196	14,566	12,489	-	40,704	1,049	159,621
Fringe benefits	8,517	14,842	14,431	3,932	41,722	6,332	4,135	8,371	7,178	-	23,392	603	91,733
Contracts	-	-	-	-	-	400,383	-	412,079	1,183,287	9,086	78,606	-	2,083,441
Space rent	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	97	12	-	-	109	-	43	-	-	-	-	6	158
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	375	-	-	-	375	-	-	-	-	-	-	-	375
Training	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	18	18	1,116	955	-	-	-	-	139	2,228
Other	1,218	1,209	1,208	1,208	4,843	-	1,088	-	-	25	-	158	6,114
Postage and printing	184	-	-	-	184	-	61	-	-	-	714	9	968
Dues and fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	<u>25,211</u>	<u>41,890</u>	<u>40,750</u>	<u>11,999</u>	<u>119,850</u>	<u>418,849</u>	<u>13,478</u>	<u>435,016</u>	<u>1,202,954</u>	<u>9,111</u>	<u>143,416</u>	<u>1,964</u>	<u>2,344,638</u>
Indirect Expenditures	<u>5,194</u>	<u>9,051</u>	<u>8,801</u>	<u>2,398</u>	<u>25,444</u>	<u>3,862</u>	<u>2,522</u>	<u>5,105</u>	<u>4,377</u>	<u>-</u>	<u>14,265</u>	<u>368</u>	<u>55,943</u>
Total expenses	<u>30,405</u>	<u>50,941</u>	<u>49,551</u>	<u>14,397</u>	<u>145,294</u>	<u>422,711</u>	<u>16,000</u>	<u>440,121</u>	<u>1,207,331</u>	<u>9,111</u>	<u>157,681</u>	<u>2,332</u>	<u>2,400,581</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,395</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2021

	Homecare Administration	Homecare	VII Ombudsman	SLTCO	NSIP	SHIP	Medicaid ADRC	No Wrong Door	FAST	MIPPA AAA	MIPPA SHIP	MIPPA ADRC	Total HC & Other	Area Agency on Aging Totals
REVENUES														
Federal grant	\$ -	\$ -	\$ 5,273	\$ -	\$ 139,706	\$ 21,505	\$ 10,800	\$ 32,850	\$ 1,000	\$ 8,613	\$ 9,800	\$ 3,915	\$ 233,462	\$ 1,595,447
State grant	61,283	526,551	-	26,581	-	-	10,800	-	-	-	-	-	625,215	728,620
Local	-	8	-	-	-	-	-	-	-	-	-	-	8	793,471
Program income	-	3,636	-	-	-	-	-	-	-	-	-	-	3,636	110,453
In-kind	-	7,791	-	-	-	-	-	-	-	-	-	-	7,791	7,791
Local income applied	5,446	23,281	610	-	-	7,912	-	6,653	72	315	315	1,822	46,426	83,732
Total revenues	66,729	561,267	5,883	26,581	139,706	29,417	21,600	39,503	1,072	8,928	10,115	5,737	916,538	3,319,514
EXPENSES														
Direct expenses:														
Salaries	32,602	269,214	2,646	11,954	-	14,300	7,808	19,585	-	4,635	5,046	2,392	370,182	529,803
Fringe benefits	18,736	154,715	1,521	6,870	-	8,218	4,487	10,863	-	2,664	2,900	982	211,956	303,689
Contracts	-	12,378	-	-	139,706	-	-	-	-	-	-	-	152,084	2,235,525
Space rent	-	7,791	-	-	-	-	-	-	-	-	-	-	7,791	7,791
Travel	82	15,155	16	72	-	-	-	-	-	4	-	-	15,329	15,487
Equipment	1,788	545	-	-	-	-	-	35	-	-	400	-	2,768	2,768
Telephone	-	2,106	-	-	-	-	-	-	-	-	-	-	2,106	2,481
Training	190	54	-	-	-	-	-	-	-	-	-	44	288	288
Supplies	124	1,115	351	1,587	-	-	-	243	1,072	-	-	-	4,492	6,720
Other	1,284	1,301	400	1,808	-	-	-	2,000	-	-	-	-	6,793	12,907
Postage and printing	498	2,543	22	101	-	1,888	63	-	-	-	-	1,568	6,683	7,651
Dues and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	55,304	466,917	4,956	22,392	139,706	24,406	12,358	32,726	1,072	7,303	8,346	4,986	780,472	3,125,110
Indirect expenditures	11,425	94,350	927	4,189	-	5,011	2,736	6,777	-	1,625	1,769	751	129,560	185,503
Total expenses	66,729	561,267	5,883	26,581	139,706	29,417	15,094	39,503	1,072	8,928	10,115	5,737	910,032	3,310,613
EXCESS OF REVENUES OVER (UNDER) EXPENSES														
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,506	\$ 8,901

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF OTHER GRANTS

FOR THE YEAR ENDED JUNE 30, 2021

	AML	FEMA	EDA	CDO	UMWA	GIS	Transportation Planning	Project Department	Comm. Collaborative for Children	TANF Kentucky Works	Totals
REVENUES											
Federal grant	\$ 2,912,858	\$ 5,556	\$ 127,848	\$ -	\$ -	\$ -	\$ 10,000	\$ 62,859	\$ 83,747	\$ 2,113,447	\$ 5,316,315
State grant	-	-	-	829,058	-	50,000	67,158	-	-	-	946,216
Local	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	2,562	209,270	-	-	4,454	-	-	216,286
Contract income	-	-	-	1,050	-	1,725	-	21,620	-	-	24,395
Interest income	113	-	-	-	-	-	-	-	-	-	113
Local funds applied	-	-	67	(260,971)	-	17,002	4,483	(25,796)	27,916	-	(237,299)
Total revenues	<u>2,912,971</u>	<u>5,556</u>	<u>127,915</u>	<u>571,699</u>	<u>209,270</u>	<u>68,727</u>	<u>81,641</u>	<u>63,137</u>	<u>111,663</u>	<u>2,113,447</u>	<u>6,266,026</u>
EXPENSES											
Direct expenses:											
Salaries	28,825	2,886	43,980	279,384	108,694	31,902	39,896	34,490	52,223	938,041	1,560,321
Fringe benefits	15,080	1,659	25,275	160,560	62,466	18,334	22,928	14,469	30,011	539,085	889,867
Contracts	2,851,033	-	-	17,342	-	-	-	121	840	78,706	2,948,042
Space rent	-	-	-	-	-	-	-	-	-	75,088	75,088
Travel	119	-	62	5	-	279	350	171	144	15,338	16,468
Equipment	-	-	34,521	1,353	-	994	994	-	1,569	8,856	48,287
Telephone	-	-	-	-	-	-	-	-	-	34,356	34,356
Training	-	-	1,407	200	-	700	750	-	200	-	3,257
Supplies	-	-	212	1,151	-	-	55	184	136	14,880	16,618
Other	910	-	6,997	1,105	15	4,575	986	1,676	7,376	60	23,700
Postage and printing	-	-	48	8,490	1	762	1,300	1,130	862	4,730	17,323
Dues and fees	-	-	-	4,195	-	-	400	-	-	100	4,695
Short term training	-	-	-	-	-	-	-	-	-	3,990	3,990
Wage subsidy	-	-	-	-	-	-	-	-	-	25,338	25,338
Transportation	-	-	-	-	-	-	-	-	-	46,128	46,128
Total direct expenses	<u>2,895,967</u>	<u>4,545</u>	<u>112,502</u>	<u>473,785</u>	<u>171,176</u>	<u>57,546</u>	<u>67,659</u>	<u>52,241</u>	<u>93,361</u>	<u>1,784,696</u>	<u>5,713,478</u>
Indirect Expenditures	<u>9,771</u>	<u>1,011</u>	<u>15,413</u>	<u>97,914</u>	<u>38,094</u>	<u>11,181</u>	<u>13,982</u>	<u>10,896</u>	<u>18,302</u>	<u>328,751</u>	<u>545,315</u>
Total expenses	<u>2,905,738</u>	<u>5,556</u>	<u>127,915</u>	<u>571,699</u>	<u>209,270</u>	<u>68,727</u>	<u>81,641</u>	<u>63,137</u>	<u>111,663</u>	<u>2,113,447</u>	<u>6,258,793</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 7,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,233</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

FOR THE YEAR ENDED JUNE 30, 2021

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	Total Grant Funds	Admin- istrative Expense	Local Operations	Totals
REVENUES							
Federal grant	\$ 146,187	\$1,595,447	\$ 5,316,315	\$ 7,057,949	\$ -	\$ -	\$ 7,057,949
State grant	112,465	728,620	946,216	1,787,301	-	-	1,787,301
Local	-	793,471	-	793,471	-	-	793,471
Program income	-	110,453	-	110,453	-	-	110,453
In-kind	-	7,791	-	7,791.00	-	-	7,791
Other income	-	-	216,286	216,286	-	44,553	260,839
Contract income	-	-	24,395	24,395	-	-	24,395
Interest income	-	-	113	113	-	536	649
Local funds applied	2,309	83,732	(237,299)	(151,258)	-	151,258	-
Total revenues	<u>260,961</u>	<u>3,319,514</u>	<u>6,266,026</u>	<u>9,846,501</u>	<u>-</u>	<u>196,347</u>	<u>10,042,848</u>
EXPENSES							
Direct expenses:							
Salaries	138,498	529,803	1,560,321	2,228,622	340,655	1,021	2,570,298
Fringe benefits	71,368	303,689	889,867	1,264,924	204,044	587	1,469,555
Contracts	-	2,235,525	2,948,042	5,183,567	18,750	-	5,202,317
Space rent	-	7,791	75,088	82,879	2,100	-	84,979
Travel	837	15,487	16,468	32,792	1,832	-	34,624
Equipment	874	2,768	48,287	51,929	6,236	-	58,165
Telephone	-	2,481	34,356	36,837	41,858	-	78,695
Training	1,776	288	3,257	5,321	1,120	-	6,441
Supplies	491	6,720	16,618	23,829	2,349	54	26,232
Other	294	12,907	23,700	36,901	117,606	19,900	174,407
Postage and printing	114	7,651	17,323	25,088	7,436	-	32,524
Dues and fees	-	-	4,695	4,695	9,886	-	14,581
Short term training	-	-	3,990	3,990	-	-	3,990
Wage subsidy	-	-	25,338	25,338	-	-	25,338
Transportation	-	-	46,128	46,128	-	-	46,128
Depreciation	-	-	-	-	24,014	33,759	57,773
Pension and OPEB adjustment	-	-	-	-	-	678,905	678,905
Total direct expenses	<u>214,252</u>	<u>3,125,110</u>	<u>5,713,478</u>	<u>9,052,840</u>	<u>777,886</u>	<u>734,226</u>	<u>10,564,952</u>
Indirect Expenditures	<u>46,709</u>	<u>185,503</u>	<u>545,315</u>	<u>777,527</u>	<u>(777,886)</u>	<u>358</u>	<u>(1)</u>
Total expenses	<u>260,961</u>	<u>3,310,613</u>	<u>6,258,793</u>	<u>9,830,367</u>	<u>-</u>	<u>734,584</u>	<u>10,564,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES							
	<u>-</u>	<u>8,901</u>	<u>7,233</u>	<u>16,134</u>	<u>-</u>	<u>(538,237)</u>	<u>(522,103)</u>
TRANSFER TO (FROM)							
	<u>-</u>	<u>-</u>	<u>(7,233)</u>	<u>(7,233)</u>	<u>-</u>	<u>7,233</u>	<u>-</u>
NET CHANGE IN FUND BALANCE							
	<u>\$ -</u>	<u>\$ 8,901</u>	<u>\$ -</u>	<u>\$ 8,901</u>	<u>\$ -</u>	<u>\$ (531,004)</u>	<u>\$ (522,103)</u>

Reconciliation to Governmental Funds:

Total expenditures per above	\$ 10,564,951
Depreciation expense	(57,773)
Debt payments	9,113
Net pension and OPEB adjustment	(678,905)
Total expenditures per Governmental Funds	<u>\$ 9,837,386</u>

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Economic Development Administration</u>				
Passed through Kentucky Department of Local Government -				
JFA - Community and Economic Assistance	11.302	PON2 112000003733 1	\$ -	\$ 66,667
CARES Act Recovery Assistance	11.307	PON2 2100000392 1	-	127,848
Passed through Westcare Kentucky				
Community and Economic Assistance	11.302	FY 21	-	10,000
Total Economic Development Cluster			-	204,515
<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 2000002717 5	104,069	134,847
Title III-B - Supportive Services COVID-19	93.044	PON2 725 2000002717 5	110,944	115,490
Title III-B - Ombudsman	93.044	PON2 725 2000002717 5	-	12,700
Title III-C1 - Nutrition Program	93.045	PON2 725 2000002717 5	130,334	173,231
Title III-C1 Nutrition Program COVID-19	93.045	PON2 725 2000002717 5	25,063	25,063
Title III-C2 - Nutrition Program	93.045	PON2 725 2000002717 5	137,510	269,975
Title III - C2 Nutrition Program COVID - 19	93.045	PON2 725 2000002717 5	330,082	362,641
Nutrition Services Incentive Program	93.053	PON2 725 2000002717 5	139,706	139,706
Total Aging Cluster			977,708	1,233,653
Title III-E - Family Caregiver	93.052	PON2 725 2000002717 5	-	84,369
Title III-E-Family Caregiver COVID-19	93.052	PON2 725 2000002717 5	-	58,035
Title III-D - Aging Program Preventive Health	93.043	PON2 725 2000002717 5	9,111	9,111
Title VII - Elder Abuse Prevention	93.041	PON2 725 20000 2714 3	-	1,982
Title VII - Ombudsman	93.042	PON2 725 2000002714 3	-	3,247
Title VII - Ombudsman COVID - 19	93.042	PON2 725 2000002714 3	-	2,026
CMS - SHIP	93.779	PON2 725 20000003467	-	21,505
ACA - MIPPA	93.071	PON2 725 21000000242	-	22,328
Functional Assessment Service Teams	93.069	PON2 725 2000002444 1	-	1,000
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 1900000816 2	-	10,800
Aging and Disability Resource Center NWD	93.048	PON2 725 20000004400 3	-	32,850
Community Based Child Abuse Prevention	93.590	PON2 736 2000002665 1	-	107,096
Temporary Assistance to Needy Families (KY Works)	93.558	PON2 736 2000001574 2	78,706	1,917,274
Total Department of Health and Human Services			1,065,525	3,505,276
<u>U.S. Department of Treasury</u>				
Passed Through the Kentucky Cabinet for Health and Family Services -				
Title III - C1 Nutrition Program CRF	21.019	PON2 725 2000002717 5	77,547	77,547
Title III - C2 Nutrition Program CRF	21.019	PON2 725 2000002717 5	34,598	34,598
Total U.S. Department of Treasury			112,145	112,145

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, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Appalachian Regional Commission</u>				
Direct -				
JFA-ARC Planning	23.009	KY-702-E-C52-19	-	74,520
Passed through Martin County Water District				
Appalachian Area Development	23.002	FY 21	-	26,000
Passed through Southern Water & Sewer				
Appalachian Area Development	23.002	FY 21	-	13,000
Passed through Floyd Co Fiscal Court				
Appalachian Area Development	23.002	FY 21	-	2,000
Total Appalachian Regional Commission			-	<u>115,520</u>
<u>U. S. Department of Housing & Urban Development</u>				
Passed Through the Kentucky				
Department of Local Government -				
Community Development Block Grants	14.228	PON2 11200003733 1	-	5,000
Passed Through City of Wayland				
Community Development Block Grants	14.228	FY 21	-	5,000
Passed Through Pike County Fiscal Court				
Community Development Block Grants	14.228	15-067	-	1,248
Total US Department of Housing & Urban Development			-	<u>11,248</u>
<u>US Department of Agriculture</u>				
Passed through the Kentucky Cabinet for Health & Family Services -				
Supplemental Nutrition Assistance Program	10.561	PON2 736 2000001574 2	-	196,173
Passed through the City of Prestonsburg				
Rural Development	10.766	FY 21	-	750
Total US Department of Agriculture			-	<u>196,923</u>
<u>US Department of Homeland Security</u>				
Passed through the City of Paintsville -				
Hazard Mitigation	97.039	FY 21	-	4,861
Passed through the City of Prestonsburg -				
Hazard Mitigation	97.039	PON 2 095 20000001514 1	-	5,556
Total US Department of Homeland Security			-	<u>10,417</u>
<u>U.S. Department of Interior Office of Surface Mining Reclamation & Enforcement</u>				
Abandoned Mine Land Reclamation - eKAMI	15.252	PO2 128 1700002616 1	-	1,094,688 *
Abandoned Mine Land Reclamation - eKAMI II	15.252	SC 128 1900001933 1	-	921,295 *
Abandoned Mine Land Reclamation - eKAMI Prison	15.252	SC 128 2000000585 1	-	131,356 *
Abandoned Mine Land Reclamation - RTT	15.252	SC 128 1700002616 2	-	345,219 *
Abandoned Mine Land Reclamation - MCW	15.252	SC 128 1900000095 1	-	122,813 *
Abandoned Mine Land Reclamation - MCW WSI	15.252	SC 128 2000000468 1	-	34,638 *
Abandoned Mine Land Reclamation - Paintsville Sewer	15.252	SC 128 2000001672 1	-	250,604 *
Total U.S. Department of Interior			-	<u>2,900,613 *</u>
Total Expenditures of Federal Awards			<u>\$ 1,177,670</u>	<u>\$ 7,056,657</u>

* Denotes a 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, 2021

(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, 2021. 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.



Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.kgsgcpa.com Member of **Allinial** GLOBAL

**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, 2021, 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 November 12, 2021.

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 Balloway Smith Hoelsky, PSC

Ashland, Kentucky
November 12, 2021



Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.ksgscpa.com Member of **Allinial** GLOBAL

**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, 2021. 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, 2021.

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 Galloway Smith Hoelsky, PSC

Ashland, Kentucky
November 12, 2021

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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.

Abandoned Mine Land Reclamation 15.252

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, 2021

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, 2021

There were no findings in the prior year.