

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

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

PREPARED BY:

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BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Big Sandy Area Development District, Inc. as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Big Sandy Area Development District, Inc.'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 error or fraud.

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.

Board of Directors
December 30, 2015

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Big Sandy Area Development District, Inc. as of June 30, 2015, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, in 2015 BSADD adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Sandy Area Development District, Inc.'s basic financial statements. The individually presented programs in the supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of

additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The individually presented programs in the supplementary information section 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 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, these individually presented programs and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the Big Sandy Area Development District, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Sandy Area Development District, Inc.'s internal control over financial reporting and compliance.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
December 30, 2015

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

The following comments are provided as an overview of the financial activities for the year ended June 30, 2015 and to assist the reader in assessment of the financial condition of the Big Sandy Area Development District, Inc. (BSADD) as of June 30, 2015. Please assess these comments in conjunction with the following financial statements and the Independent Auditors' Report.

Basic Financial Statements

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

Government-Wide Financial Statements

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

The following summary is based on the fund financial statements:

Financial Highlights:

- Unrestricted Fund Balance increased by 19.61% to \$1,332,355. Restricted Fund Balance decreased 8.86% to \$388,603.
- The District had \$184,000 of expenses in excess of revenues.
- Net Surplus / deficit for each division were as follows:
 1. TANF (KY Works Program) broke even.
 2. Projects / GIS/ Casey Foundation had a surplus of \$4,742
 3. Dept. 400, which captures rental and other income and provides other programs with local cash, had a surplus of \$16,961
 4. JFA had a surplus of \$7,220.
 5. Aging Division (including CCFC) had a surplus of \$189,877
 6. All other departments combined to break even.

THE COMBINED DIVISIONS AND DEPARTMENTS ABOVE ACCOUNT FOR
THE OPERATING SURPLUS OF \$218,800.

7. RLF programs (Restricted Funds) had a combined deficit of \$34,800.
- Total revenues decreased from 8.67 million in 2014 to 8.18 million in 2015.
 - Total expenses decreased from 8.69 million to 8.0 million in 2015.
 - Final budgeted surplus was \$102,524, final surplus was \$184,000.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

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

Assets – Total assets as of June 30, 2015 were \$3,681,313 compared to \$2,987,595 at the end of 2014. Of the \$693,718 increase current assets increased \$310,741, capital assets decreased \$10,092 and long-term assets decreased \$69,217 to \$33,420 as of June 30, 2015. Current assets increased mainly due to increased cash in bank. Capital assets decreased due to depreciation. Long term assets decreased due to receipt of outstanding RLF loans.

Liabilities – Current liabilities increased \$92,229 from \$734,146 at the close of FY 14 to \$826,375 as of June 30, 2015. Long-term liabilities increased from \$238,426 to \$3,762,728. The increase in current liabilities was due increases in payroll liabilities and accounts payable. The substantial increase in long-term liabilities was due to implementation of the new GASB 68 accounting standards.

Net Assets – The net asset balance at the end of FY 2015 was at a deficit of 1,306,790. This is due to implementing the new GASB 68 standards and recognizing BSADD's share of net pension liability of the Kentucky Retirement System. Unrestricted general net assets totaled -\$2,309,701, restricted RLF net assets totaled \$388,063, and net capital assets totaled \$614,308.

Year End Financial Position

Implementation of GASB 68 and the accompanying recognition of net pension liability caused BSADD to have a negative unrestricted net asset balance at the close of FY 2015. BSADD pays all required contributions to Kentucky Retirement System as a participating employer and has no control over how the system manages employee and employer contributions. More information regarding this change in accounting standards can be found within note 7 and note 18 of the accompanying notes to financial statements.

Capital Asset Activity

Depreciation of \$58,712 reduced capital assets. The District increased capital assets by \$57,430 with the purchase of new staff vehicles, copy machine, and carpeting.

Long Term Debt Activity

The District has a capital lease for the building which it presently occupies. During the year the principal amount was reduced by \$50,000. Outstanding principal at year end was \$168,000. The ADD stands as a pass-through agent for loans to Mountain Housing Corporation from Kentucky Housing Corporation. The ending balance of these loans was \$97,017, a decrease of from \$11,392 from FY 2014.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

Conditions that affect FY 2016

For fiscal year 2016, major grant contracts are projected to remain stable in respect to internal costs. Funding for programs in regards to internal operating costs remains close to FY 2015 levels. Management expects to see continued growth in the Consumer Directed Options program. The related income will have a positive effect on the ADD as a whole.

Requests for additional information

This report is intended to be a general overview of the finances of the District. If you have questions regarding the report or need additional information, please contact Big Sandy Area Development District, Attention: Finance, 110 Resource Court, Prestonsburg, KY 41653.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET ASSETS
June 30, 2015

ASSETS

CURRENT ASSETS

| | |
|--|------------------|
| Cash and Cash Equivalents | \$ 946,276.00 |
| Accounts Receivable | 1,371,582.00 |
| Accounts Receivable - Other | 2,710.00 |
| Prepaid Expenses | 11,787.00 |
| Deposits | 1,500.00 |
| Loans Receivable - ED RLF, Current Portion | <u>48,629.00</u> |

TOTAL CURRENT ASSETS 2,382,484.00

CAPITAL ASSETS

| | |
|-------------------------------|---------------------|
| Land | 41,000.00 |
| Buildings | 1,393,489.00 |
| Equipment | 483,146.00 |
| Less Accumulated Depreciation | <u>1,094,327.00</u> |

NET CAPITAL ASSETS 823,308.00

LONG-TERM ASSETS

| | |
|---|------------------|
| Loans Receivable - ED RLF, Less Current Portion | <u>33,420.00</u> |
|---|------------------|

TOTAL LONG-TERM ASSETS 33,420.00

TOTAL ASSETS 3,239,212.00

DEFERRED OUTFLOWS OF RESOURCES

| | |
|-----------------------------|-------------------|
| Deferred Outflows - Pension | <u>442,102.00</u> |
|-----------------------------|-------------------|

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 3,681,314.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET ASSETS
June 30, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---|------------------|
| Accounts Payable | \$ 529,019.00 |
| Payroll Liabilities | 73,101.00 |
| Accrued Vacation, Current Portion | 17,375.00 |
| Notes Payable, KHC | 97,017.00 |
| Capital Leases Payable, Current Portion | 60,923.00 |
| Unearned Revenue | <u>48,940.00</u> |

TOTAL CURRENT LIABILITIES 826,375.00

LONG-TERM LIABILITIES

| | |
|--|---------------------|
| Accrued Vacation, Less Current Portion | 78,651.00 |
| Capital Leases Payable, Less Current Portion | 107,077.00 |
| Net Pension Liability | <u>3,577,000.00</u> |

TOTAL LONG-TERM LIABILITIES 3,762,728.00

TOTAL LIABILITIES 4,589,103.00

DEFERRED INFLOWS OF RESOURCES

| | |
|----------------------------|------------|
| Deferred Inflows - Pension | 399,000.00 |
|----------------------------|------------|

NET ASSETS

| | |
|---|-----------------------|
| Invested in Capital Assets, Net of Related Debt | 614,308.00 |
| Restricted Net Assets | 388,603.00 |
| Unrestricted Net Assets | <u>(2,309,700.00)</u> |

TOTAL NET ASSETS (1,306,789.00)

TOTAL LIABILITIES AND NET ASSETS \$ 3,681,314.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

| Functions/Programs | Expenses | Indirect Expense Allocation | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---|-----------------|-----------------------------------|------------------------|--|--|
| | | | Charges for Service | Operating Grants & Contributions | |
| Governmental activities: | | | | | |
| Aging Programs | \$ 2,595,784.00 | \$ 274,458.00 | \$ 730,600.00 | \$ 2,410,398.00 | \$ 270,756.00 |
| JFA Programs | 221,161.00 | 38,784.00 | | 278,593.00 | 18,648.00 |
| Kentucky Works | 2,422,176.00 | 261,078.00 | | 2,760,188.00 | 76,934.00 |
| Transportation Planning | 60,124.00 | 9,016.00 | | 67,580.00 | (1,560.00) |
| Project Development/Other | 372,482.00 | 20,571.00 | | 403,854.00 | 10,801.00 |
| Management Services | 23,688.00 | 0.00 | | 44,868.00 | 21,180.00 |
| Comm Collaborative for Children | 142,546.00 | 21,135.00 | | 169,909.00 | 6,228.00 |
| Revolving Loan Programs | 39,431.00 | 0.00 | | 0.00 | (39,431.00) |
| Total Governmental Activities | \$ 5,877,392.00 | \$ 625,042.00 | \$ 730,600.00 | \$ 6,135,390.00 | 363,556.00 |
| General Revenues: | | | | | |
| Interest Income | | | | | 4,632.00 |
| Change in Net Assets | | | | | 368,188.00 |
| Net Assets, Beginning of Year, restated | | | | | (1,674,977.00) |
| Net Assets, End of Year | | | | | \$ (1,306,789.00) |

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

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

June 30, 2015

ASSETS

| | |
|-----------------------------|---------------|
| Cash and Cash Equivalents | \$ 946,276.00 |
| Accounts Receivable | 1,371,582.00 |
| Accounts Receivable - Other | 2,710.00 |
| Prepaid Expenses | 11,787.00 |
| Deposits | 1,500.00 |
| Loans Receivable - ED RLF | 82,049.00 |

PROPERTY, PLANT AND EQUIPMENT, NET 149,158.00

TOTAL ASSETS \$ 2,565,062.00

LIABILITIES AND FUND BALANCE**LIABILITIES**

| | |
|---------------------|------------------|
| Accounts Payable | \$ 529,019.00 |
| Payroll Liabilities | 73,101.00 |
| Accrued Vacation | 96,026.00 |
| Unearned Revenues | 48,940.00 |
| Notes Payable-KHC | <u>97,017.00</u> |

TOTAL LIABILITIES 844,103.00

FUND BALANCE

| | |
|---------------------------|---------------------|
| Restricted Fund Balance | 388,603.00 |
| Unrestricted Fund Balance | <u>1,332,356.00</u> |

TOTAL FUND BALANCE 1,720,959.00

TOTAL LIABILITIES AND FUND BALANCE \$ 2,565,062.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
GOVERNMENTAL FUND
June 30, 2015

| | |
|---|---------------------------------|
| Fund balance - governmental fund | \$ 1,720,959.00 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets of land, buildings, and equipment specifically charged to individual programs are not reported in the government funds, net of accumulated depreciation of \$1,094,327 | 674,150.00 |
| Deferred outflows - pension are not recorded in the government funds | 442,102.00 |
| Capital leases are expensed as they are paid in the government funds | (168,000.00) |
| Deferred inflows - pension are not recorded in the government funds | (399,000.00) |
| Net pension liability is not recorded in the government funds | <u>(3,577,000.00)</u> |
| Net assets of governmental activities | \$ <u><u>(1,306,789.00)</u></u> |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

| | | |
|---|--------|-----------------------------|
| <u>REVENUES</u> | | |
| Federal Funds | \$ | 4,067,557 |
| State Funds | | 2,168,759 |
| Local Cash | | 1,634,564 |
| Other Income | | 308,682 |
| Interest Income | | <u>4,632</u> |
| TOTAL REVENUES | \$ | 8,184,193 |
| <u>EXPENDITURES</u> | | |
| Direct Cost | | |
| Salaries | | 2,208,527 |
| Fringe Benefits | | 1,210,192 |
| Subcontractors | | 2,700,644 |
| Travel | | 199,276 |
| Supplies | | 26,631 |
| Telephone | | 39,652 |
| Training | | 16,804 |
| Space Rent | | 111,994 |
| Equipment/Eq Lease | | 29,056 |
| Postage/Printing | | 26,751 |
| Other Expenses | | 181,854 |
| Short Term Training | | 94,283 |
| Wage Subsidy | | 279,202 |
| Transportation | | <u>66,085</u> |
| Total Direct Cost | | 7,190,949 |
| Indirect Costs (Applied) | | <u>809,244</u> |
| TOTAL EXPENDITURES | | <u>8,000,193</u> |
| EXCESS REVENUES OVER/ (UNDER) EXPENDITURES | | 184,000 |
| FUND BALANCE - JULY 1, 2014 | | <u>1,536,959</u> |
| FUND BALANCE - JUNE 30, 2015 | \$ | <u><u>1,720,959</u></u> |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
For the Year Ended June 30, 2015

| | |
|--|---------------|
| Net change in fund balance - governmental fund | \$ 184,000.00 |
|--|---------------|

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

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

| | |
|---|-------------|
| Additional depreciation expense | (33,287.00) |
| Capital assets expensed in the Statement of Revenues, Expenditures, and Changes in Fund Balance | 11,373.00 |

| | |
|--|------------|
| The difference in retirement expense due to recording pension inflows and outflows | 156,102.00 |
|--|------------|

| | |
|---|------------------|
| The repayment of capital lease principal is an expenditure of governmental funds but the repayment reduces long-term debt in the statement of net assets. | <u>50,000.00</u> |
|---|------------------|

| | |
|---|----------------------|
| Change in net assets of governmental activities | <u>\$ 368,188.00</u> |
|---|----------------------|

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
For the Year Ended June 30, 2015

| <u>REVENUES</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>VARIANCE OVER/(UNDER) FINAL BUDGET</u> | <u>%</u> |
|---|------------------|------------------|---|---------------|
| Federal & State Funds | 6,236,315 | 6,966,656 | (730,341) | 0.10 |
| Local Cash | 1,634,564 | 637,813 | 996,751 | (1.56) |
| Other Income | 308,682 | 45,050 | 263,632 | (5.85) |
| Interest Income | 4,632 | 280 | 4,352 | (15.54) |
| TOTAL REVENUES | 8,184,193 | 7,649,799 | 534,394 | (0.07) |
| <u>EXPENDITURES</u> | | | | |
| Direct Cost | | | | |
| Salaries | 2,208,527 | 2,271,202 | (62,675) | 0.03 |
| Fringe Benefits | 1,210,192 | 1,283,229 | (73,037) | 0.06 |
| Subcontractors | 2,700,644 | 2,077,765 | 622,879 | (0.30) |
| Travel | 199,276 | 195,830 | 3,446 | (0.02) |
| Supplies | 26,631 | 35,048 | (8,417) | 0.24 |
| Telephone | 39,652 | 34,311 | 5,341 | (0.16) |
| Training | 16,804 | 14,761 | 2,043 | (0.14) |
| Space Rent | 111,994 | 121,615 | (9,621) | 0.08 |
| Equipment/Eq Lease | 29,056 | 12,350 | 16,706 | (1.35) |
| Postage/Printing | 26,751 | 29,648 | (2,897) | 0.10 |
| Other Expenses | 181,854 | 37,326 | 144,528 | (3.87) |
| Short Term Training | 94,283 | 150,000 | (55,717) | 0.37 |
| Wage Subsidy | 279,202 | 400,000 | (120,798) | 0.30 |
| Transportation | 66,085 | 75,000 | (8,915) | 0.12 |
| Total Direct Cost | 7,190,949 | 6,738,085 | 452,864 | (0.07) |
| Indirect Costs (Applied) | 809,244 | 809,190 | 54 | (0.00) |
| TOTAL EXPENDITURES | 8,000,193 | 7,547,275 | 452,918 | (0.06) |
| EXCESS REVENUES OVER/ (UNDER) EXPENDITURES | 184,000 | 102,524 | 81,476 | (0.79) |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

A. REPORTING ENTITY

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

to evaluate component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the BSADD is able to exercise oversight responsibilities. Based on these criteria, there are no component units.

B. BASIC FINANCIAL STATEMENTS—GOVERNMENT-WIDE STATEMENTS

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

E. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

F. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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

2. Capital Assets:

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
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Depreciation on all assets is provided on the straight-line basis of the following estimated useful lives:

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

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

3. Compensated Absences/Accumulated Vacation:

The BSADD allows full time permanent employees to accumulate vacation leave at a rate of 7.5 hours per month for the first year of employment; 8.5 hours for 2-5 years of employment; and then 10 hours after 5 completed years. Upon termination, the BSADD pays to employees who have been employed twelve months or longer, a maximum of twenty days of accumulated vacation. As of June 30, 2015, the liability for accrued vacation is a total of \$96,026. This is broken down into two categories: the amount of \$17,375 which would be expected to be paid out in the upcoming year is recorded as a current liability and \$78,651 which represents the non-current portion or the amount estimated to be used in subsequent fiscal years is recorded as a long-term debt.

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

4. Long-Term Liabilities:

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

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

5. Equity Classifications:

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

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

6. Revenues and Expenditures:

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

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

G. INCOME TAX STATUS

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

NOTE 2 – CASH

Cash includes cash on hand and cash in checking accounts. Separate accounts are maintained for general operations and each of the revolving loan funds. The operating account had a balance of \$639,993 as of June 30, 2015 at Citizens National Bank of Paintsville. Collateral consisting of Federal Home Loan Mortgage Corporation securities with a par value of \$808,870 and a market

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

value of \$820,311, Allen County, Kentucky Revenue Bonds with a par value of \$25,000 and market value of \$26,896, Federal National Mortgage Association (FNMA) Pool with a par value of \$486,432 and a market value of \$498,696, Federal National Mortgage Association (FNMA) 2013-87 BA with a par value of \$61,328 and a market value of \$60,460, Leitchfield, KY municipal bonds with a par value of \$60,000 and a market value of \$56,602, Northern Kentucky University Revenue Bonds with a par value of \$25,000 and market value of \$25,889, Perry County, KY School District Bonds with a par value of \$100,000 and a market value of \$102,520, Union County, KY bonds with a par value of \$35,000 and a market value of \$36,066, and Johnson County KY School District Bonds with a par value of \$45,000 and market value of \$47,079 for a total pledged assets of \$1,674,520 market value has been pledged by Citizens National Bank to cover the cash in excess of the \$250,000 guaranteed by the Federal Deposit Insurance Corporation (F.D.I.C.) for all of the BSADD's accounts in that financial institution.

The Revolving Loan Fund (Economic Development) had a cash balance of \$306,283, \$204,777 of which has been sequestered according to the requirements of the Economic Development Administration because of the account holding excess funds for two or more consecutive reporting periods. This balance was collateralized by the above pledged securities.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following categories:

| | |
|---------------------------------|---------------------|
| Contract Payments Receivable | 1,041,418.00 |
| Consumer Directed Options (CDO) | 142,442.00 |
| Mountain Housing Corporation | <u>187,722.00</u> |
| Total Accounts Receivable | <u>1,371,582.00</u> |

The BSADD has evaluated the accounts receivable balances for the various accounts as to collectability. In the past, several cities and counties in the Big Sandy area have not paid their local assessments which are used to help meet the needs of the BSADD for providing services to the local five county region. Therefore, the BSADD has established a policy of charging a fee for services for those cities or counties who have not paid their local assessment and the BSADD wrote off the prior uncollectible balance several years ago. The BSADD uses the direct write-off method to account for bad debts in the accounts receivable. During 2015 the BSADD wrote off uncollectable amounts in the CDO program in the amount of \$226. As of June 30, 2015, all remaining receivables are expected to be collected. Therefore, no allowance for estimated uncollectible accounts receivable has been recorded.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

The BSADD, in a cooperative effort with a group of local banks, established a Revolving Loan Fund (RLF), which is accessible to new and expanding businesses in the region. The overall philosophy of the Revolving Loan Fund is to provide flexible financing mechanisms to new or expanding businesses in the region, thus leveraging more conventional financing and consequently bridging financing gaps that currently exist. The impending net result will be the stimulation of economic development activities, the expansion and development of business enterprises, and ultimately the creation of permanent and stable jobs throughout the region.

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

As of June 30, 2015, the fund had the following outstanding notes receivable:

| | |
|---|--------------------|
| Note receivable from Pig in a Poke II payable in 84 monthly installments of \$740.50 including 4.5% interest, beginning February 16, 2009 | 11,730.00 |
| Note receivable from Pig in a Poke III payable in 84 monthly installments of \$981.44 including 4.75% interest, beginning March 28, 2011 | 42,010.00 |
| Note receivable from Lizzie B's Cafe payable in 60 monthly installments of \$469.03 including 4.75% interest, beginning June 30, 2011 | 5,040.00 |
| Note receivable from Lizzie B's Cafe II payable in 60 monthly installments of \$562.80 including 4.75% interest, beginning April 12, 2012 | 11,318.00 |
| Note receivable from Lucky's Quick Stop payable in 48 monthly installments of \$331.37 including 4.75% interest, beginning October 28, 2014 | <u>11,951.00</u> |
| Total Notes Receivable | 82,049.00 |
| Less Current Portion | <u>(33,420.00)</u> |
| Long-term Notes Receivable | <u>48,629.00</u> |

The note receivable from Saving Grace, LLC for \$34,424 was written off during FY 2015 as a bad debt.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2015 as reflected on the statement of net assets.

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | 41,000 | - | - | 41,000 |
| Other capital assets: | | | | |
| Vehicles | 116,114 | 36,098 | - | 152,212 |
| Buildings | 1,393,489 | - | - | 1,393,489 |
| Equipment | <u>298,229</u> | <u>32,705</u> | <u>-</u> | <u>330,934</u> |
| Total other capital assets | 1,807,832 | 68,803 | - | 1,876,635 |
| Less accumulated depreciation: | | | | |
| Vehicles | 112,518 | 5,100 | - | 117,618 |
| Buildings | 694,445 | 36,315 | - | 730,760 |
| Equipment | <u>228,653</u> | <u>17,296</u> | <u>-</u> | <u>245,949</u> |
| Total accumulated deprec. | <u>1,035,616</u> | <u>58,711</u> | <u>-</u> | <u>1,094,327</u> |
| Other capital assets, net | <u>772,216</u> | <u>10,092</u> | <u>-</u> | <u>782,308</u> |
| Governmental activities capital assets, net | <u>813,216</u> | <u>10,092</u> | <u>-</u> | <u>823,308</u> |

Total governmental activities depreciation expense recorded as indirect cost.

58,711

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

June 30, 2015

The following is a summary of changes in capital assets for the year ended June 30, 2015 as reflected in the funds statements.

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets: | | | | |
| Buildings | 35,477 | - | - | 35,477 |
| Vehicles | 96,392 | 36,098 | - | 132,490 |
| Equipment | <u>227,154</u> | <u>21,332</u> | - | <u>248,486</u> |
| Total capital assets | 359,023 | 57,430 | - | 416,453 |
| Less accumulated depreciation: | | | | |
| Buildings | 17,647 | 2,365 | - | 20,012 |
| Vehicles | 92,813 | 5,082 | - | 97,895 |
| Equipment | <u>131,411</u> | <u>17,977</u> | - | <u>149,388</u> |
| Total accumulated deprec. | <u>241,871</u> | <u>25,424</u> | - | <u>267,295</u> |
| Capital assets, net | <u>117,152</u> | <u>32,006</u> | - | <u>149,158</u> |
| Governmental activities capital assets, net | <u>117,152</u> | <u>32,006</u> | - | <u>149,158</u> |

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

25,424

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

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. BSADD has one item that qualifies for reporting in this category: the pension deferred outflows totaling \$442,102 at June 30, 2015. The pension deferred outflows are described in note 7 to the financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. BSADD has one item which qualifies for reporting in this category: the pension deferred inflows totaling \$399,000 at June 30, 2015, as described in Note 7 to the financial statements.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

BSADD reports unearned revenue on its financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are unearned by BSADD and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when BSADD has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statements and revenue is recognized. Unearned revenues in the financial statements at June 30, 2015, totaled \$48,940.

NOTE 7 – RETIREMENT

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

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

Employees hired after April 1, 2000 and all employees after September 30, 2002, must use the CERS plan.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of the Kentucky Retirement Systems (KRS) administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website, www.kyret.ky.gov.

Benefits Provided - The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the state legislature. Retirement benefits are determined using a formula which considers the member’s final compensation; benefit factors set by statute which vary depending upon the type/amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008, are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 48 months of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member’s age and years of service equal 87 or at age 65 with at least 60 months of service credit.

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

June 30, 2015

Contributions – Per Kentucky Revised Statutes Section 78.545 (33), contribution requirements of the active employees and the participating employers are established and may be amended by the KRS Board on the basis of an annual valuation last proceeding the July 1 of a new biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Plan members who began participating in CERS prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. For Plan members who began participating in CERS on or after September 1, 2008, the contribution rate is 6%. For the year ended June 30, 2015, BSADD's actuarially determined contribution rate was 17.67% of annual creditable compensation. Contributions to CERS by BSADD were \$442,102 for the year ended June 30, 2015.

Plan members who began participating on, or after January 1, 2014, were required to contribute to the Cash Balance Plan. This Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the District reported a liability of \$3,577,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, BSADD's proportion was 11.0249 percent, which was equal to its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, BSADD recognized pension expense of \$286,000. At June 30, 2015, BSADD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|---|---|--|
| Net difference between projected and Actual earnings on plan investments | \$ - | \$399,000 |
| Agency contributions subsequent to The measurement date | <u>442,102</u> | <u>-</u> |
| Total | \$442,102 | \$399,000 |

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The \$442,102 of deferred outflows of resources resulting from BSADD's contributions subsequent to the measurement date will be recognized as a deduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

| | |
|------|------------------|
| 2016 | \$ 99,750 |
| 2017 | 99,750 |
| 2018 | 99,750 |
| 2019 | 99,750 |
| | <u>\$399,000</u> |

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.5% |
| Salary increases | 4.5% average, including inflation |
| Investment rate of return | 7.75%, net of pension plan investment expense, including Inflation |

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

The actuarial assumptions used in the June 30, 2014, valuation were used on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption,

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Domestic equity | 30% | 8.45% |
| International equity | 22% | 8.85% |
| Emerging market equity | 5% | 10.5% |
| Private equity | 7% | 11.25% |
| Real estate | 5% | 7% |
| Core US fixed income | 10% | 5.25% |
| High-yield US fixed income | 5% | 7.25% |
| Non US fixed income | 5% | 5.5% |
| Commodities | 5% | 7.75% |
| TIPS | 5% | 5% |
| Cash | 1% | 3.25% |
| Total | <u>100%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of BSADD's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents BSADD's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what BSADD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | <u>Discount rate</u> | <u>BSADD's Proportionate share of net pension liability</u> |
|-----------------------|----------------------|---|
| 1% decrease | 6.75% | \$4,707,000 |
| Current discount rate | 7.75% | \$3,577,000 |
| 1% increase | 8.75% | \$2,578,000 |

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
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Plan Fiduciary Net Position – Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

NOTE 8 – NOTES PAYABLE

The BSADD is the pass-through agent for several loans from Kentucky Housing Corporation to Mountain Housing Corporation. These loans are recorded as notes payable to Kentucky Housing Corporation and a note receivable from Mountain Housing Corporation. The balance of this payable is \$97,017.

NOTE 9 – CAPITAL LEASES

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

The following is the summary of leased assets under capital lease agreements by the BSADD as of June 30, 2015.

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

The following is a schedule of the future minimum lease payments required under these capital leases and the present value of the net minimum lease payments as of June 30, 2015.

| <u>Year Ending June 30,</u> | <u>General Long- Term Debt</u> |
|--|------------------------------------|
| 2016 | 60,923 |
| 2017 | 60,978 |
| 2018 | <u>60,869</u> |
| Total minimum lease payments | 182,770 |
| Less amount representing interest | <u>(14,770)</u> |
| Present value of future minimum lease payments | <u>168,000</u> |

NOTE 10 – INSURANCE AND RELATED ACTIVITIES

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

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

During the year ended June 30, 2015, the BSADD received 66.6% of its revenues from federal and state grants and 22.9% from CDO.

NOTE 12 – INTER-FUND RECEIVABLES AND PAYABLES

The BSADD has no inter-fund balances as of June 30, 2015.

NOTE 13 – CASH AND IN-KIND CONTRIBUTIONS

BSADD received cash and in-kind contributions for the aging program from several counties and cities within their service area for vehicles, gas, salaries, and space. The cash and in-kind required match follows:

| Title III Program | Total State Funds | In-Kind | Cash | Total Funds available for Match | Required Match |
|-------------------------------------|----------------------|---------|--------------|---------------------------------------|-------------------|
| Title III - B (15% Match) | \$ 36,009 | | \$ 324,038 | \$ 360,047 | \$ 33,189 |
| Title III - C1 (15% Match) | \$ 43,090 | | \$ 120,888 | \$ 163,978 | \$ 26,251 |
| Title III - C2 (15% Match) | \$ 41,801 | | \$ 696,953 | \$ 738,754 | \$ 37,066 |
| Title III - E (25% Match) | \$ 26,247 | | \$ - | \$ 26,247 | \$ 6,657 |
| Title VII - Elder Abuse (15% Match) | \$ 553 | | | \$ 553 | \$ 553 |
| Title VII - Ombudsman (15% Match) | \$ 938 | | | \$ 938 | \$ 938 |
| Total | \$ 148,638 | \$ - | \$ 1,141,879 | \$ 1,290,517 | \$ 104,654 |

Senior citizen programs in the five county region received in-kind contributions of cash and space from county and city governments and county fiscal courts.

The Homecare program received in-kind space donations from First Baptist Church of Paintsville, Floyd County Fiscal Court, and Pikeville Housing Authority. This space was valued at \$15,137. Donations from program clients were \$10,628 and cash from BSADD totaled \$12,549.

The Community Collaboration for Children program used \$45,853 of local match. BSADD provided \$28,628 in funds for support of operations. Community of Hope program provided \$17,225 of value.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The transportation planning program received \$4,218 in local funds from the BSADD.

NOTE 14 – RESTRICTED FUND BALANCES

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

| | ED RLF | Water Tap RLF | Total Restricted Net Assets |
|---------------------------|-------------------|-------------------|-----------------------------------|
| | <u> </u> | <u> </u> | |
| Beginning Balance | 419,357 | 3,704 | 423,061 |
| Current Net Income (Loss) | <u>(30,754)</u> | <u>(3,704)</u> | <u>(34,458)</u> |
| Ending Balance | <u>388,603</u> | <u>0</u> | <u>388,603</u> |

NOTE 15 – COST ALLOCATION PLAN

Big Sandy Area Development District, Inc. is required by the Department of Local Government to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan follows on page 24-26. The District is in conformity with 2 CFR Part 225.

BSADD has one shared cost pool. Expenses not readily identifiable to a particular element are charged to that pool. Shared costs are allocated on the basis of total salary and burden per department, in relation to total salary and burden cost for the district. Detail of how specific expenditure categories are processed follow:

Salaries

The salaries of all employees are charged directly into program elements based on the amount of time attributable to each element. Budgeted percentages for each employee per element have been developed based on the portion of each individual's time, either in months or percentage of time, identifiable with each element. The combined salary amounts charged to each element will always equal each individual's total salary. The Executive Director, Financial Director, ADD Accountant, Communications Coordinator, and Maintenance Manager are all charged to the shared cost pool. Other personnel who have portions of their salaries charged to the shared cost pool perform tasks for the District that cannot be identified to a particular direct element.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Burden

All employee burden costs such as FICA, Workman's compensation, unemployment insurance, health insurance, and retirement contributions are charged to elements based on gross salary expense by employee.

Audits

The portion of budgeted audit costs attributable to the ADD audit are charged directly to program areas based on a percentage of revenue of the area to total revenue. The A-133 single audit is performed by an independent certified public accounting firm.

Contract Services

All budgeted contract payments are recorded as direct costs in the respective work element to which they apply. Service contracts that cannot be identified as a direct cost of any element are charged to the indirect cost pool. These are professional services provided by outside organizations that provide a special skill.

Depreciation

Depreciation for shared elements that cost over \$5,000 is charged to the shared cost pool. These elements include leasehold improvements to the ADD's office building as well as vehicles.

Printing and Postage

Printing and postage costs are coded directly to each element based on activity reports generated from office machines. Printing and postage that cannot be attributed to a particular element is charged to the shared cost pool.

Insurance

General insurance to protect the ADD from liabilities arising as part of normal course of operations and insurance to protect the property of the ADD is charged to the shared cost pool.

Travel

Travel costs are charged directly to individual work elements based on requisitions which identify the specific element to which each item of travel is to be charged. Employees who charge their time to shared cost also charge related travel to shared cost if it cannot be identified with a particular direct charge work element. All travel is for official business and is governed by the written travel policy of the ADD.

Vacation Accrual

Vacation accrual expense is charged directly on a yearly basis to individual elements based on the amount of each individual's salary and the amount of leave accrued.

Space Costs

Space rental costs (lease costs) are charged directly to program departments based on the amount of square feet in the building utilized by staff assigned to particular programs. Program departments include JFA, aging services, Kentucky Works, transportation planning, projects, GIS, and housing. The cost of all square footage which is not directly associated with one of the specific departments such as conference rooms and hallways is charged to the shared cost pool.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Space occupied by those employees whose salary is charged to the shared cost pool is charged in the same way.

Utilities

Utilities for the office building (electricity, water, and sewer service) are charged to the shared cost pool. This is separate from space costs which only consist of lease expenses.

Equipment

All equipment costs are charged to the elements directly to that program element. Phone usages that cannot be identified with a particular element are charged to the shared cost pool. Internet service costs are charged to the indirect cost pool.

Communications

Charges that can be identified by a program element are charged directly to that program element. Phone usages that cannot be identified with a particular element are charged to the shared cost pool. Internet service costs are charged to the indirect cost pool.

Supplies/Materials

Amounts specifically identifiable by program element are directly charged. Those that cannot be identified as a specific program expense such as building supplies and office supplies for shared staff are charged to the shared cost pool.

Other (Organizational Fees/Board Expense/etc)

These items are charged directly to individual elements based on what the cost related to. Organizational fees are those that are paid to business, technical, or professional organizations. Those that cannot be specifically identified to a particular program are charged to the shared cost pool. Board expenses include supplies for meetings and travel for members' meetings and conferences where the primary purpose is the dissemination of technical information.

Building Maintenance

Maintenance to maintain the current condition of the ADD office building is charged to the shared cost pool. Maintenance does not enhance or improve the building.

Training

Training is used to encourage employee development and help employees add value to the work they contribute to the ADD. Training is charged to the work element of the employee. Training for employees whose salaries are in the shared cost pool is charged to the shared cost pool.

NOTE 16 – RELATED PARTY TRANSACTIONS

Big Sandy Area Development District CDO

BSADD provides fiscal management services to Big Sandy CDO program as Fiscal Agent (BSADD CDO). BSADD CDO operates the Consumer Directed Options program for the Cabinet for Health and Family Services, Department of Aging and Independent Living (DAIL) for the Big Sandy Area Development District. Waiver clients have the option to choose CDO at any time.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

BSADD serves as the fiscal agent for the client and as a support broker. Medicaid funds are to be used to pay for services on behalf of the client. Funds for each ADD are realigned and/or increased in accordance with the client data. As client services are rendered, Medicaid is billed and the funds are paid to the CDO program. The CDO program then pays BSADD for its administrative responsibilities. During the year ended June 30, 2015, BSADD received \$719,972 from the CDO program for administration and the District was owed \$142,442 by the CDO program.

NOTE 17 – CONTINGENCIES

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

NOTE 18 – RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 68

During 2015, BSADD implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, Financial Reporting for Pension Plans.

The guidance contained in Statement 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards, GASB required that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB required Statement 68 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

| | |
|--|-----------------------|
| Net position, beginning of year | \$ 2,015,023 |
| Beginning net pension liability | <u>(3,690,000)</u> |
| Net position, at beginning of year, As restated | <u>\$ (1,674,977)</u> |

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 30, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - SUMMARY
For the Year Ended June 30, 2015

| <u>REVENUES</u> | <u>JFA</u> | <u>AGING PROGRAMS</u> | <u>OTHER PROGRAMS</u> | <u>TOTAL</u> |
|---|----------------|---------------------------|---------------------------|------------------|
| Federal Funds | 162,958 | 949,635 | 2,954,964 | 4,067,557 |
| State Funds | 115,635 | 1,815,421 | 237,702 | 2,168,759 |
| Local Cash | 0 | 1,453,352 | 181,213 | 1,634,564 |
| Other Income | 0 | 235,337 | 73,345 | 308,682 |
| Interest Income | 0 | 0 | 4,632 | 4,632 |
| TOTAL REVENUES | 278,593 | 4,453,745 | 3,451,855 | 8,184,193 |
| <u>EXPENDITURES</u> | | | | |
| Salaries | 134,506 | 970,594 | 1,103,427 | 2,208,527 |
| Fringe Benefits | 73,971 | 531,848 | 604,373 | 1,210,192 |
| Subcontractors | 0 | 2,157,419 | 543,225 | 2,700,644 |
| Travel | 3,969 | 72,536 | 122,771 | 199,276 |
| Supplies | 205 | 17,072 | 9,354 | 26,631 |
| Telephone | 0 | 4,034 | 35,618 | 39,652 |
| Training | 1,604 | 8,781 | 6,419 | 16,804 |
| Space Rent | 5,731 | 18,937 | 87,327 | 111,994 |
| Equipment/Eq. Lease | 1,124 | 4,883 | 23,049 | 29,056 |
| Other Expenses | 0 | 109,546 | 72,308 | 181,854 |
| Short Term Training | 0 | 0 | 94,283 | 94,283 |
| Wage Subsidy | 0 | 0 | 279,202 | 279,202 |
| Transportation | 0 | 0 | 66,085 | 66,085 |
| Postage/Printing | 51 | 12,881 | 13,819 | 26,751 |
| Total Direct Cost | 221,161 | 3,908,529 | 3,061,259 | 7,190,949 |
| Indirect Costs (Applied) | 50,213 | 355,338 | 403,693 | 809,244 |
| TOTAL EXPENDITURES | 271,373 | 4,263,868 | 3,464,952 | 8,000,193 |
| EXCESS REVENUES OVER/ (UNDER) EXPENDITURES | 7,220 | 189,877 | (13,097) | 184,000 |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - AGING PROGRAMS
For the Year Ended June 30, 2015

| | TOTAL AGING PROGRAMS | (COLUMN AG) TOTAL HOMECARE | TITLE III SOCIAL NSIP | MIPPA ADRC | SHIP ADM | SHIP | CARE- GIVER ADM |
|---|----------------------------|----------------------------------|-----------------------------|---------------|-------------|--------|-----------------------|
| REVENUES | | | | | | | |
| Federal Funds | | | | | | | |
| Title III B | 214,049 | 0 | 0 | 0 | 0 | 0 | 0 |
| Title III C1 | 163,156 | 0 | 0 | 0 | 0 | 0 | 0 |
| Title III C2 | 224,446 | 0 | 0 | 0 | 0 | 0 | 0 |
| Title III D | 11,006 | 0 | 0 | 0 | 0 | 0 | 0 |
| Title III E | 45,749 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arthritis Grant | 3,750 | 0 | 0 | 0 | 0 | 0 | 0 |
| NSIP | 158,599 | 0 | 158,599 | 0 | 0 | 0 | 0 |
| MIPPA ADRC | 4,068 | 0 | 0 | 4,068 | 0 | 0 | 0 |
| SHIP ADM | 726 | 0 | 0 | 0 | 726 | 0 | 0 |
| Title VII-Ombudsman | 5,313 | 0 | 0 | 0 | 0 | 0 | 0 |
| CDSME Grant | 10,730 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACA Grant | 41,831 | 0 | 0 | 0 | 0 | 0 | 0 |
| Elder Abuse | 3,135 | 0 | 0 | 0 | 0 | 0 | 0 |
| Medicaid CDO | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MIPPA | 23,584 | 0 | 0 | 0 | 0 | 0 | 0 |
| CMS SHIP | 24,920 | 0 | 0 | 0 | 0 | 24,920 | 0 |
| ADRC | 14,572 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Federal Funds | 949,635 | 0 | 158,599 | 4,068 | 726 | 24,920 | 0 |
| State Funds | | | | | | | |
| Title III-State | 175,978 | 0 | 0 | 0 | 0 | 0 | 0 |
| Long -Term Care | 26,905 | 0 | 0 | 0 | 0 | 0 | 0 |
| Homecare | 744,220 | 744,220 | 0 | 0 | 0 | 0 | 0 |
| Caregiver | 76,458 | 0 | 0 | 0 | 0 | 0 | 6,283 |
| Consumer Directed Options | 673,269 | 0 | 0 | 0 | 0 | 0 | 0 |
| Title VII State | 1,491 | 0 | 0 | 0 | 0 | 0 | 0 |
| Personal Care Attend | 117,101 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total State Funds | 1,815,421 | 744,220 | 0 | 0 | 0 | 0 | 6,283 |
| Total Federal & State Funds | 2,765,056 | 744,220 | 158,599 | 4,068 | 726 | 24,920 | 6,283 |
| Local Cash | 1,453,352 | 12,549 | 0 | 42 | 755 | 8,934 | 635 |
| Other Income | 61,983 | 15,137 | 0 | 0 | 0 | 0 | 0 |
| Program Income | 173,354 | 10,628 | 0 | 0 | 0 | 0 | 0 |
| TOTAL REVENUES | 4,453,745 | 782,533 | 158,599 | 4,109 | 1,480 | 33,855 | 6,918 |
| EXPENDITURES | | | | | | | |
| Direct Expenditures | | | | | | | |
| Salaries | 970,594 | 376,418 | 0 | 2,188 | 753 | 15,626 | 3,512 |
| Fringe Benefits | 531,848 | 206,260 | 0 | 1,183 | 426 | 8,574 | 1,989 |
| Subcontractors | 2,157,419 | 0 | 158,599 | 0 | 0 | 0 | 0 |
| Travel | 72,536 | 31,656 | 0 | 0 | 0 | 82 | 0 |
| Supplies | 17,072 | 4,321 | 0 | 92 | 0 | 48 | 0 |
| Telephone | 4,034 | 2,271 | 0 | 0 | 0 | 0 | 0 |
| Training | 8,781 | 678 | 0 | 0 | 0 | 0 | 0 |
| Space Rent | 18,937 | 5,061 | 0 | 0 | 16 | 881 | 87 |
| Equipment/Eq Lease | 4,883 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Expense | 109,546 | 16,259 | 0 | 0 | 0 | 0 | 0 |
| Postage/Printing | 12,881 | 1,957 | 0 | 0 | 0 | 2,987 | 0 |
| Total Direct Expenditures | 3,908,529 | 644,883 | 158,599 | 3,462 | 1,195 | 28,198 | 5,588 |
| Indirect Costs (Applied) | 355,338 | 137,650 | 0 | 647 | 285 | 5,657 | 1,331 |
| TOTAL EXPENDITURES | 4,263,868 | 782,533 | 158,599 | 4,109 | 1,480 | 33,855 | 6,918 |
| EXCESS REVENUES OVER/ (UNDER) EXPENDITURES | 189,877 | 0 | 0 | 0 | 0 | 0 | 0 |

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

| CAREGIVER GRAND- PARENTS | HEALTH BENEFITS EXCHANGE | PACESET/PERSONAL CDSME GRANT | SENIOR GAMES | CARE ATTEND | CDO MEDICAID | ADRC | MIIPA | ARTHRITIS | UMWA |
|--------------------------------|--------------------------------|------------------------------------|-----------------|----------------|-----------------|--------|--------|-----------|---------|
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,750 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 10,730 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 41,831 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,584 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 14,572 | 0 | 0 | 0 |
| 0 | 41,831 | 10,730 | 0 | 0 | 0 | 14,572 | 23,584 | 3,750 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 70,175 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 673,269 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 117,101 | 0 | 0 | 0 | 0 | 0 |
| 70,175 | 0 | 0 | 0 | 117,101 | 673,269 | 0 | 0 | 0 | 0 |
| 70,175 | 41,831 | 10,730 | 0 | 117,101 | 673,269 | 14,572 | 23,584 | 3,750 | 0 |
| 0 | 72 | 1,037 | 0 | 0 | (64,971) | 1,712 | 10 | 0 | 347,714 |
| 0 | 0 | 0 | 0 | 142 | 46,703 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 6,161 | 0 | 0 | 0 | 0 | 0 | 0 |
| 70,175 | 41,903 | 11,767 | 6,161 | 117,243 | 655,002 | 16,284 | 23,594 | 3,750 | 347,714 |
| 12,032 | 21,406 | 5,199 | 0 | 25,152 | 218,031 | 8,208 | 10,541 | 0 | 167,464 |
| 6,099 | 11,813 | 3,668 | 0 | 13,723 | 118,720 | 4,514 | 5,669 | 0 | 92,026 |
| 0 | 0 | 0 | 0 | 66,957 | 30,976 | 0 | 0 | 0 | 0 |
| 54 | 0 | 519 | 0 | 738 | 9,841 | 0 | 0 | 0 | 23,755 |
| 3 | 59 | 429 | 5,910 | 8 | 1,445 | 13 | 958 | 0 | 68 |
| 0 | 0 | 0 | 0 | 0 | 714 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 3,750 | 1,420 |
| 946 | 687 | 0 | 0 | 930 | 5,351 | 222 | 627 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 4,883 | 0 | 0 | 0 | 0 |
| 43,535 | 0 | 0 | 0 | 695 | 1,237 | 0 | 1,987 | 0 | 955 |
| 218 | 22 | 16 | 0 | 41 | 6,247 | 235 | 0 | 0 | 10 |
| 62,886 | 33,987 | 9,831 | 5,910 | 108,244 | 397,444 | 13,202 | 19,782 | 3,750 | 285,699 |
| 4,208 | 7,917 | 1,937 | 0 | 8,999 | 79,128 | 3,082 | 3,812 | 0 | 62,015 |
| 67,094 | 41,903 | 11,767 | 5,910 | 117,243 | 476,572 | 16,284 | 23,594 | 3,750 | 347,714 |
| 3,081 | 0 | 0 | 251 | 0 | 178,430 | 0 | 0 | 0 | 0 |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - TITLE III
For the Year Ended June 30, 2015

| | <u>TOTAL TITLE III</u> | <u>TITLE IIIB ADM</u> | <u>TITLE IIIC1 ADM</u> | <u>TITLE IIIC2 ADM</u> | <u>TITLE IIIE ADM</u> | <u>TITLE III OMBUDS- MAN</u> |
|--|----------------------------|-------------------------------|--------------------------------|--------------------------------|-------------------------------|--------------------------------------|
| REVENUES | | | | | | |
| Federal Funds | | | | | | |
| Title IIIB | 214,049 | 25,976 | 0 | 0 | 0 | 18,700 |
| Title IIIC1 | 163,156 | 0 | 14,398 | 0 | 0 | 0 |
| Title IIIC2 | 224,446 | 0 | 0 | 14,408 | 0 | 0 |
| Title IIID | 11,006 | 0 | 0 | 0 | 0 | 0 |
| Title IIIE | 45,749 | 0 | 0 | 0 | 8,026 | 0 |
| Title VII-Ombudsman | 5,313 | 0 | 0 | 0 | 0 | 0 |
| Elder Abuse | 3,135 | 0 | 0 | 0 | 0 | 0 |
| Total Federal Funds | <u>666,856</u> | <u>25,976</u> | <u>14,398</u> | <u>14,408</u> | <u>8,026</u> | <u>18,700</u> |
| State Funds | | | | | | |
| Title III-State | 55,078 | 13,551 | 7,640 | 7,640 | 0 | 0 |
| State IIIB | 36,009 | 0 | 0 | 0 | 0 | 3,300 |
| State CI | 43,090 | 0 | 0 | 0 | 0 | 0 |
| State CII | 41,801 | 0 | 0 | 0 | 0 | 0 |
| Long -Term Care | 26,905 | 0 | 0 | 0 | 0 | 0 |
| State VII | 1,491 | 0 | 0 | 0 | 0 | 0 |
| Total State Funds | <u>204,374</u> | <u>13,551</u> | <u>7,640</u> | <u>7,640</u> | <u>0</u> | <u>3,300</u> |
| Total Federal & State Funds | 871,230 | 39,528 | 22,038 | 22,048 | 8,026 | 22,000 |
| Local Cash | 1,144,862 | 0 | 0 | 0 | 2,911 | 20 |
| Program Income | <u>156,565</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL REVENUES | 2,172,657 | 39,528 | 22,038 | 22,048 | 10,937 | 22,020 |
| EXPENDITURES | | | | | | |
| Direct Cost | | | | | | |
| Salaries | 104,064 | 18,672 | 10,302 | 10,302 | 5,127 | 9,434 |
| Fringe Benefits | 57,185 | 10,469 | 5,743 | 5,743 | 2,876 | 5,150 |
| Subcontractors | 1,900,887 | 0 | 0 | 0 | 0 | 0 |
| Space Rent | 4,129 | 481 | 276 | 276 | 141 | 471 |
| Training | 2,922 | 1,072 | 885 | 895 | 0 | 4 |
| Travel | 5,890 | 1,127 | 532 | 532 | 0 | 1,052 |
| Other Expense | 44,879 | 10 | 0 | 0 | 869 | 973 |
| Telephone | 1,049 | 455 | 297 | 297 | 0 | 0 |
| Postage/Printing | 1,148 | 27 | 17 | 17 | 0 | 229 |
| Supplies | 3,717 | 3 | 0 | 0 | 0 | 1,273 |
| Total Direct Cost | <u>2,125,870</u> | <u>32,316</u> | <u>18,053</u> | <u>18,063</u> | <u>9,012</u> | <u>18,586</u> |
| Indirect Cost (Applied) | <u>38,670</u> | <u>7,212</u> | <u>3,986</u> | <u>3,986</u> | <u>1,925</u> | <u>3,434</u> |
| TOTAL EXPENDITURES | <u>2,164,541</u> | <u>39,528</u> | <u>22,038</u> | <u>22,048</u> | <u>10,937</u> | <u>22,020</u> |
| EXCESS REVENUE OVER/ (UNDER) EXPENDITURES | <u>8,116</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

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

| TITLE VII OMBUDS- MAN | TITLE VII ELDER ABUSE | SLTCO | TITLE IIB | TITLE IIIC1 | TITLE IIIC2 | TITLE III D HEALTH PREVENTION | TITLE III-E CAREGIVER |
|-----------------------------|-----------------------------|--------|--------------|----------------|----------------|-------------------------------------|-----------------------------|
| 0 | 0 | 0 | 169,373 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 148,758 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 210,038 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 11,006 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,723 |
| 5,313 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 3,135 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5,313 | 3,135 | 0 | 169,373 | 148,758 | 210,038 | 11,006 | 37,723 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26,247 |
| 0 | 0 | 0 | 32,709 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 43,090 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 41,801 | 0 | 0 |
| 0 | 0 | 26,905 | 0 | 0 | 0 | 0 | 0 |
| 938 | 553 | 0 | 0 | 0 | 0 | 0 | 0 |
| 938 | 553 | 26,905 | 32,709 | 43,090 | 41,801 | 0 | 26,247 |
| 6,251 | 3,688 | 26,905 | 202,082 | 191,848 | 251,839 | 11,006 | 63,970 |
| 6 | 3 | 22 | 324,058 | 120,888 | 696,954 | 0 | 0 |
| 0 | 0 | 0 | 6,951 | 93,760 | 55,854 | 0 | 0 |
| 6,257 | 3,691 | 26,927 | 533,091 | 406,496 | 1,004,647 | 11,006 | 63,970 |
| 2,681 | 1,582 | 11,538 | 20,389 | 1,094 | 1,094 | 0 | 11,849 |
| 1,464 | 863 | 6,298 | 11,216 | 603 | 603 | 0 | 6,157 |
| 0 | 0 | 0 | 483,212 | 404,259 | 1,002,410 | 11,006 | 0 |
| 134 | 79 | 576 | 686 | 32 | 32 | 0 | 946 |
| 0 | 1 | 4 | 0 | 0 | 0 | 0 | 60 |
| 299 | 176 | 1,286 | 0 | 0 | 0 | 0 | 886 |
| 276 | 163 | 1,189 | 1,876 | 104 | 104 | 0 | 39,315 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 65 | 38 | 280 | 0 | 0 | 0 | 0 | 476 |
| 362 | 213 | 1,556 | 72 | 0 | 0 | 0 | 238 |
| 5,281 | 3,115 | 22,727 | 517,451 | 406,092 | 1,004,243 | 11,006 | 59,926 |
| 976 | 576 | 4,200 | 7,524 | 404 | 404 | 0 | 4,044 |
| 6,257 | 3,691 | 26,927 | 524,975 | 406,496 | 1,004,647 | 11,006 | 63,970 |
| 0 | 0 | 0 | 8,116 | 0 | 0 | 0 | 0 |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - HOMECARE
For the Year Ended June 30, 2015

| | <u>TOTAL HOMECARE</u> | <u>HOMECARE ADM</u> | <u>DIRECT HOMECARE</u> |
|--|---------------------------|-------------------------|----------------------------|
| <u>REVENUES</u> | | | |
| State Funds | | | |
| Homecare | 744,220 | 62,462 | 681,758 |
| Total State Funds | <u>744,220</u> | <u>62,462</u> | <u>681,758</u> |
| | | | |
| In-Kind Space | 15,137 | 0 | 15,137 |
| Local Cash | 12,549 | 3,697 | 8,852 |
| Program Income | <u>10,628</u> | <u>0</u> | <u>10,628</u> |
| TOTAL REVENUES | 782,533 | 66,158 | 716,375 |
| <u>EXPENDITURES</u> | | | |
| Direct Cost | | | |
| Salaries | 376,418 | 32,873 | 343,545 |
| Fringe Benefits | 206,260 | 18,095 | 188,165 |
| Space Rent | 5,061 | 1,054 | 4,007 |
| Travel | 31,656 | 252 | 31,405 |
| Telephone | 2,271 | 0 | 2,271 |
| Postage/Printing | 1,957 | 700 | 1,257 |
| Supplies | 4,321 | 19 | 4,303 |
| Training | 678 | 0 | 678 |
| Other Expense | 1,122 | 1,062 | 60 |
| In-Kind Space | <u>15,137</u> | <u>0</u> | <u>15,137</u> |
| Total Direct Cost | <u>644,883</u> | <u>54,054</u> | <u>590,829</u> |
| | | | |
| Indirect Cost (Applied) | <u>137,650</u> | <u>12,104</u> | <u>125,546</u> |
| TOTAL EXPENDITURES | 782,533 | 66,158 | 716,375 |
| EXCESS REVENUE OVER/ (UNDER) EXPENDITURES | <u><u>0</u></u> | <u><u>0</u></u> | <u><u>0</u></u> |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - OTHER PROGRAMS
For the Year Ended June 30, 2015

| | <u>TOTAL OTHER PROGRAMS</u> | <u>COMM. COLLABORATIVE FOR CHILDREN</u> | <u>CASEY FOUNDATION</u> | <u>TRANS- PORTATION PLANNING</u> | <u>PROJECT DEVELOPMENT</u> |
|--|-------------------------------------|---|-----------------------------|--|--------------------------------|
| REVENUES | | | | | |
| Federal Funds | 2,954,964 | 141,281 | 0 | 700 | 45,655 |
| State Funds | 237,702 | 0 | 0 | 66,880 | 98,315 |
| Local Cash | 181,213 | 28,628 | 162,829 | 4,218 | (58,300) |
| Other Income | 73,345 | 0 | 0 | 0 | 0 |
| Interest Income | <u>4,632</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL REVENUES | 3,451,855 | 169,909 | 162,829 | 71,797 | 85,669 |
| Direct Cost | | | | | |
| Salaries | 1,103,427 | 74,563 | 0 | 31,911 | 19,395 |
| Fringe Benefits | 604,373 | 41,280 | 0 | 17,568 | 9,983 |
| Subcontracts | 543,225 | 11,444 | 158,088 | 2,057 | 39,155 |
| Space Rent | 87,327 | 2,076 | 0 | 878 | 1,177 |
| Travel | 122,771 | 9,255 | 0 | 4,597 | 3,226 |
| Equipment/Eq Lease | 23,049 | 1,584 | 0 | 1,200 | 0 |
| Telephone | 35,618 | 0 | 0 | 0 | 777 |
| Training | 6,419 | 580 | 0 | 1,325 | 2,002 |
| Supplies | 9,354 | 675 | 0 | 254 | 200 |
| Other Expense | 72,308 | 525 | 0 | 0 | 213 |
| Postage/Printing | 13,819 | 564 | 0 | 335 | 3,147 |
| Short Term Training | 94,283 | 0 | 0 | 0 | 0 |
| Wage Subsidy | 279,202 | 0 | 0 | 0 | 0 |
| Transportation | <u>66,085</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Direct Cost | 3,061,259 | 142,546 | 158,088 | 60,124 | 79,277 |
| Indirect Costs (Applied) | <u>403,693</u> | <u>27,363</u> | <u>0</u> | <u>11,673</u> | <u>6,393</u> |
| TOTAL EXPENDITURES | 3,464,952 | 169,909 | 158,088 | 71,797 | 85,669 |
| EXCESS REVENUE OVER/ (UNDER) EXPENDITURES | <u>(13,097)</u> | <u>0</u> | <u>4,742</u> | <u>0</u> | <u>0</u> |

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

| <u>G.I.S.</u> | <u>SOAR</u> | <u>TANF - KENTUCKY WORKS</u> | <u>WATER TAP REVOLVING FUND</u> | <u>EDA REVOLVING FUND</u> | <u>LOCAL/ ADM</u> |
|---------------|-------------|--------------------------------------|---|-----------------------------------|-----------------------|
| 2,338 | 4,802 | 2,760,188 | 0 | 0 | 0 |
| 72,507 | 0 | 0 | 0 | 0 | 0 |
| 0 | 2,364 | 0 | 0 | 0 | 41,474 |
| 73,345 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 4,632 | 0 |
| 148,190 | 7,166 | 2,760,188 | 0 | 4,632 | 41,474 |
| 52,390 | 3,263 | 921,904 | 0 | 0 | 0 |
| 28,902 | 1,795 | 504,846 | 0 | 0 | 0 |
| 19,427 | 0 | 313,053 | 0 | 0 | 0 |
| 2,225 | 0 | 80,971 | 0 | 0 | 0 |
| 4,317 | 760 | 99,773 | 0 | 0 | 844 |
| 18,334 | 0 | 1,932 | 0 | 0 | 0 |
| 0 | 0 | 34,841 | 0 | 0 | 0 |
| 1,150 | 0 | 1,362 | 0 | 0 | 0 |
| 1,090 | 175 | 6,959 | 0 | 0 | 1 |
| 854 | 0 | 7,792 | 4,046 | 35,385 | 23,492 |
| 413 | 11 | 9,174 | 0 | 0 | 176 |
| 0 | 0 | 94,283 | 0 | 0 | 0 |
| 0 | 0 | 279,202 | 0 | 0 | 0 |
| 0 | 0 | 66,085 | 0 | 0 | 0 |
| 129,102 | 6,003 | 2,422,176 | 4,046 | 35,385 | 24,513 |
| 19,089 | 1,163 | 338,012 | 0 | 0 | 0 |
| 148,190 | 7,166 | 2,760,188 | 4,046 | 35,385 | 24,513 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>(4,046)</u> | <u>(30,754)</u> | <u>16,962</u> |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.**STATEMENT OF REVENUES AND EXPENDITURES BY JFA PROGRAM ELEMENT**

For the Year Ended June 30, 2015

| | <u>COMM ECONOMIC DEVELOPMENT</u> | <u>DEVELOP BLOCK GRANT</u> | <u>ARC PLANNING ASSISTANCE</u> | <u>PROGRAM ADM</u> | <u>TOTAL JFA</u> |
|---|--|------------------------------------|--|------------------------|----------------------|
| REVENUES | | | | | |
| Federal Funds | 67,200 | 15,500 | 80,258 | 0 | 162,958 |
| State Funds | 16,800 | 15,500 | 80,697 | 2,638 | 115,635 |
| TOTAL REVENUES | <u>84,000</u> | <u>31,000</u> | <u>160,955</u> | <u>2,638</u> | <u>278,593</u> |
| EXPENDITURES | | | | | |
| Salaries | 38,286 | 15,131 | 80,438 | 651 | 134,506 |
| Fringe Benefits | 23,115 | 8,371 | 42,131 | 355 | 73,971 |
| Travel | 1,657 | 451 | 1,861 | 0 | 3,969 |
| Space Rent | 1,644 | 568 | 3,487 | 32 | 5,731 |
| Supplies | 77 | 0 | 128 | 0 | 205 |
| Training | 0 | 0 | 1,604 | 0 | 1,604 |
| Equipment/Eq Lease * | 0 | 0 | 1,124 | 0 | 1,124 |
| Postage/Printing | 42 | 3 | 5 | 2 | 51 |
| Total Direct Cost | 64,821 | 24,523 | 130,777 | 1,039 | 221,161 |
| Indirect Costs (Applied) | 15,852 | 5,944 | 28,197 | 219 | 50,213 |
| TOTAL EXPENDITURES | <u>80,673</u> | <u>30,468</u> | <u>158,974</u> | <u>1,258</u> | <u>271,373</u> |
| EXCESS REVENUES OVER/ (UNDER) EXPENDITURES | <u>3,327</u> | <u>532</u> | <u>1,980</u> | <u>1,381</u> | <u>7,220</u> |
| TOTAL EXPENDITURES | 80,673 | 30,468 | 158,974 | 1,258 | 271,373 |
| TOTAL BUDGET | <u>83,859</u> | <u>33,507</u> | <u>164,549</u> | <u>2,500</u> | <u>284,415</u> |
| (OVER)/UNDER BUDGET | <u>3,186</u> | <u>3,039</u> | <u>5,575</u> | <u>1,242</u> | <u>13,042</u> |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF INDIRECT COST ALLOCATION
For the Year Ended June 30, 2015

INDIRECT COST

| | |
|---------------------|-----------------------|
| Salaries | 335,414 |
| Employee Benefits | 183,414 |
| Service Contracts | 34,740 |
| Travel | 14,211 |
| Space Rental | 24,706 |
| Equipment/Eq Lease | 8,282 |
| Telephone | 20,617 |
| Utilities | 26,045 |
| Maintenance | 35,853 |
| Supplies | 4,625 |
| Postage/Printing | 7,055 |
| Other Expense | (623) |
| Training | 3,885 |
| Depreciation | 25,425 |
| Board Expense | 5,599 |
| Dues & Publications | 15,941 |
| Insurance | 64,057 |
| | <hr/> |
| Total Indirect Cost | <u><u>809,244</u></u> |

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

| FEDERAL AGENCY | FEDERAL CFDA NUMBER | PROGRAM OR AWARD AMOUNT | CASH ACCRUED JULY 1, 2014 | RECEIPTS | DISBURSE- MENTS | CASH ACCRUED JUNE 30, 2015 |
|---|---------------------------|-------------------------------|---------------------------------|--------------|--------------------|----------------------------------|
| U.S. Department of Health and Human Services | | | | | | |
| Passed through Kentucky Cabinet | | | | | | |
| for Health and Family Services | | | | | | |
| Title III B | 93.044 | 269,484 | - | 214,050.00 | 214,050.00 | - |
| Title III C | 93.045 | 493,320 | - | 387,603.00 | 387,603.00 | - |
| NSIP | 93.053 | 158,599 | - | 158,599.00 | 158,599.00 | - |
| | | | - | 760,252.00 | 760,252.00 | - |
| Title VII - Elder Abuse | 93.041 | 3,135 | - | 3,135.00 | 3,135.00 | - |
| Ombudsman Education | 93.042 | 5,313 | - | 5,313.00 | 5,313.00 | - |
| Title III D | 93.043 | 25,775 | - | 11,006.00 | 11,006.00 | - |
| Caregiver Support Title III E | 93.052 | 105,261 | - | 45,749.00 | 45,749.00 | - |
| MPPA AAA/SHP/ADRC | 93.071 | 43,454 | - | 27,651.00 | 27,651.00 | - |
| Health Benefits Exchange | 93.525 | 41,831 | - | 41,831.00 | 41,831.00 | - |
| Chronic Disease Self Management | 93.725 | 10,852 | - | 10,730.00 | 10,730.00 | - |
| Medicaid ADRC | 93.778 | 32,130 | - | 7,286.00 | 7,286.00 | - |
| CMS-SHIP | 93.779 | 25,646 | - | 25,646.00 | 25,646.00 | - |
| Improving Arthritis Outcomes | 93.945 | 6,000 | - | 4,796.00 | 4,796.00 | - |
| Title IV-B | 93.556 | 54,114 | - | 54,114.00 | 54,114.00 | - |
| Community Based Child Abuse Prevention | 93.590 | 80,529 | - | 80,529.00 | 80,529.00 | - |
| Temporary Assistance to | | | | | | |
| Needy Families (KY Works) | 93.558 | 3,261,625 | - | 2,760,188.00 | 2,760,188.00 | - |
| Total U.S. Department of Health and Human Services | | | - | 3,838,226.00 | 3,838,226.00 | - |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

| <u>FEDERAL AGENCY</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PROGRAM OR AWARD AMOUNT</u> | <u>CASH ACCRUED JULY 1, 2014</u> | <u>RECEIPTS</u> | <u>DISBURSE- MENTS</u> | <u>CASH ACCRUED JUNE 30, 2015</u> |
|--|------------------------------------|--|--|-----------------|----------------------------|---|
| <u>U.S. Department of Commerce Economic Development Administration</u> | | | | | | |
| Passed through Department for Local Government (DLG): | | | | | | |
| EDA - Planning Assistance | 11.302 | 67,200 | - | 67,200.00 | 67,200.00 | - |
| EDA - Magoffin Co. Fiscal Court | 11.307 | 5,000 | | 5,000.00 | 5,000.00 | |
| EDA - SOAR | 11.307 | 312,000 | | 4,802.00 | 4,802.00 | |
| Economic Adjustment Assistance: | | | | | | |
| EDA - Title IX EAAP - Revolving Loan Fund | 11.307 | 500,000 | - | 0.00 | 317,788.00 | (317,788.00) |
| Passed through Pennyrite ADD: | | | | | | |
| KY Agriculture Information System Project | 11.307 | 2,338 | - | 2,338.00 | 2,338.00 | - |
| | | | - | 12,140.00 | 329,928.00 | (317,788.00) |
| U.S. Department of Commerce Economic Development Adm | | | - | 79,340.00 | 397,128.00 | (317,788.00) |
| <u>U.S. Department of Transportation</u> | | | | | | |
| Passed through the Kentucky Transportation Cabinet: | | | | | | |
| Highway Planning & Construction - | | | | | | |
| Centerline Maintenance Program | 20.205 | 7,280 | - | 700.00 | 700.00 | - |
| U.S. Department of Transportation | | | - | 700.00 | 700.00 | - |
| <u>Appalachian Regional Commission (ARC)</u> | | | | | | |
| Appalachian Local Development | | | | | | |
| District Assistance | 23.009 | 80,258 | - | 80,258.00 | 80,258.00 | - |
| Total ARC | | | - | 80,258.00 | 80,258.00 | - |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

| FEDERAL AGENCY | FEDERAL CFDA NUMBER | PROGRAM OR AWARD AMOUNT | CASH ACCRUED JULY 1, 2014 | RECEIPTS | DISBURSE- MENTS | CASH ACCRUED JUNE 30, 2015 |
|--|---------------------------|-------------------------------|---------------------------------|--------------|--------------------|----------------------------------|
| <u>U.S. Department of Homeland Security</u> | | | | | | |
| Passed through the Kentucky Department of Homeland Security: | | | | | | |
| Dawkins Rail Line | 97.067 | 62,334 | - | 26,655.00 | 26,655.00 | - |
| Total U.S. Department of Homeland Security | | | - | 26,655.00 | 26,655.00 | - |
| <u>U.S. Department of Housing & Urban Development</u> | | | | | | |
| Passed through Department for Local Government (DLG) | | | | | | |
| Passed through Martin Co. Fiscal Court: | | | | | | |
| Martin Co. Sanitation District | 14.228 | 10,000 | - | 18,500.00 | 18,500.00 | - |
| Passed through Magoffin Co. Fiscal Court: | | | | | | |
| Magoffin Co. Fiscal Court | 14.228 | 8,900 | - | 4,000.00 | 4,000.00 | - |
| | | | - | 22,500.00 | 22,500.00 | - |
| Total U.S. Department of Housing & Urban Development | | | - | 38,000.00 | 38,000.00 | - |
| Total Federal Awards | | | 0.00 | 4,063,179.00 | 4,380,967.00 | (317,788.00) |

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

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

KY Works subrecipients - 100% federal

| | | |
|---|------------|------------|
| Kentucky Educational Development Corporation 940 W Rose Road Ashland, KY 41102 | \$ 126,417 | 61-0659010 |
| Russell County Board of Education 404 S Main Street Jamestown, KY 42629 | \$ 186,636 | 61-6001305 |
| | \$ 313,053 | |

Aging:

IIIB Subrecipients (federal share)

| | | |
|---|------------|------------|
| Appalachian Research and Defense Fund of KY, Inc. 140 N Front Street Prestonsburg KY 41653 | \$ 5,989 | 61-0849848 |
| Pike County Senior Citizens Program, Inc PO Box 751 Pikeville KY 41502 | \$ 42,647 | 61-1160806 |
| Martin County Senior Citizens, Inc PO Box 631 Inez KY 41224 | \$ 11,056 | 61-0060988 |
| Magoffin County Senior Citizens, Inc PO Box 531 Salyersville KY 41465 | \$ 19,469 | 61-1161769 |
| Johnson County Senior Citizens Program, Inc PO Box 446 Paintsville KY 41240 | \$ 12,993 | 61-1161767 |
| Floyd County Senior Citizens, Inc 149 S Central Ave Prestonsburg KY 41653 | \$ 34,700 | 61-1160817 |
| | \$ 126,855 | |

CI Subrecipients (federal share)

| | |
|---|------------|
| Pike County Senior Citizens Program, Inc | \$ 49,229 |
| Martin County Senior Citizens, Inc | \$ 14,063 |
| Magoffin County Senior Citizens, Inc | \$ 21,288 |
| Johnson County Senior Citizens Program, Inc | \$ 16,860 |
| Floyd County Senior Citizens, Inc | \$ 45,584 |
| | \$ 147,024 |

CII subrecipients (federal share)

| | |
|---|------------|
| Pike County Senior Citizens Program, Inc | \$ 67,530 |
| Martin County Senior Citizens, Inc | \$ 18,106 |
| Magoffin County Senior Citizens, Inc | \$ 28,624 |
| Johnson County Senior Citizens Program, Inc | \$ 24,472 |
| Floyd County Senior Citizens, Inc | \$ 59,471 |
| | \$ 198,202 |

IIID subrecipients (federal share)

| | |
|---|----------|
| Pike County Senior Citizens Program, Inc | \$ 3,550 |
| Martin County Senior Citizens, Inc | \$ 738 |
| Magoffin County Senior Citizens, Inc | \$ 1,989 |
| Johnson County Senior Citizens Program, Inc | \$ 819 |
| Floyd County Senior Citizens, Inc | \$ 2,795 |
| | \$ 9,890 |

NSIP subrecipients - 100% federal

| | |
|---|------------|
| Pike County Senior Citizens Program, Inc | \$ 75,545 |
| Martin County Senior Citizens, Inc | \$ 10,524 |
| Magoffin County Senior Citizens, Inc | \$ 11,189 |
| Johnson County Senior Citizens Program, Inc | \$ 16,483 |
| Floyd County Senior Citizens, Inc | \$ 44,858 |
| | \$ 158,599 |

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015

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

LYNETTE R. SCHINDLER, CPA, PSC

130 Scott Ave.
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(606) 437-1025
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Big Sandy Area Development District, Inc. as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Big Sandy Area Development District, Inc.'s basic financial statements, and have issued our report thereon dated December 30, 2015.

Internal Control over Financial Reporting

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

Board of Directors
December 30, 2015

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Sandy Area Development District, Inc.'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.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
December 30, 2015

LYNETTE R. SCHINDLER, CPA, PSC

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Pikeville, KY 41501
(606) 437-1025
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Big Sandy Area Development District, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Big Sandy Area Development District, Inc.'s major federal programs for the year ended June 30, 2015. Big Sandy Area Development District, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Big Sandy Area Development District, Inc.'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Sandy Area Development District, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Big Sandy Area Development District, Inc. 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, 2015.

Report on Internal Control over Compliance

Management of Big Sandy Area Development District, Inc. 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 Big Sandy Area Development District, Inc.'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Big Sandy Area Development District, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lynette R. Schindler, CPA, PSC

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Federal Awards:

Internal control over major programs:

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

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

Unmodified for all major programs

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

Major Programs:

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

CFDA: 93.044 TITLE III, Part B - Grants for Supportive Services and Senior Centers
93.045 TITLE III, Part C - Nutrition Services
93.053 Nutrition Service Incentive Program (NSIP)

CFDA: 11.307 U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADM
EDA - Title IX EAAP - Revolving Loan Fund

Dollar threshold used to distinguish between type A and type B programs \$300,000

| | | |
|--|---|-----------------------------|
| Auditee qualified as a low-risk auditee? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|--|---|-----------------------------|

2. FINANCIAL STATEMENT FINDINGS

The results of our audit disclosed no findings relating to the financial statements which are required to be reported in accordance with generally accepted governmental auditing standards.

3. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The results of our audit disclosed no findings or questioned costs for federal awards which are required to be reported under §____.520 (a) of OMB Circular A-133.