BIG SANDY AREA DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Big Sandy Area Development District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Sandy Area Development District as of June 30, 2018, and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as amended by GASB Statement No. 85, *Omnibus 2017* effective July 1, 2017 and changed its method of classifying funds in the financial statements resulting in all funds being combined into one proprietary fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 6 and the Schedule of Proportionate Share of the Net Pension OPEB Liability and Schedule of Pension and OPEB Contributions on pages 24 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 31, 2018 on our consideration of Big Sandy Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Sandy Area Development District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 31, 2018

BIG SANDY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018

As management of the Big Sandy Area Development District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was $978,093 and the ending cash balance for the District was $1,078,829.
- The net pension liability required to be recorded under GASB No. 68 increased during the year. The District's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was $6,025,044 as of June 30, 2017, which represents an increase of $1,111,798 from the June 30, 2016 balance of $4,913,246.
- The OPEB liability was required to be recorded under GASB No. 75 during the year. The District's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the OPEB liability was $2,069,325 as of June 30, 2017.

OVERVIEW OF FINANCIAL STATEMENTS

The District's financial statements utilize the accrual basis of accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board. The District is a single fund, special-purpose entity that provides regional planning, development and aging services to the city, county and nonprofit agencies within the five county area. As such, the entity-wide financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These statements display information about the entity as a whole.

The Statement of Net Position details the District's assets and liabilities and is very similar to the balance sheet. The Statement of Revenues, Expenses and Changes in Net Position details revenue classified by source and expenditures by purpose for the fiscal year and also takes into account adjustments, if any, for prior year events.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10-23 of this report.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $3,936,112 as of June 30, 2018.

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

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

Net Position as of June 30, 2018 and 2017

	June 30, 2018	(As restated) June 30, 2017
Assets		
Current Assets	$ 2,270,077	$ 2,311,989
Noncurrent Assets	734,093	770,706
Total Assets	3,004,170	3,082,695
Deferred outflows	2,618,884	1,327,706
Liabilities		
Current Liabilities	609,572	643,265
Noncurrent Liabilities	8,153,101	6,618,177
Total Liabilities	8,762,673	7,261,442
Deferred inflows	796,493	246,316
Net Position		
Investment in capital assets	692,154	703,035
Restricted	294,785	396,442
Unrestricted	(4,923,051)	(4,191,834)
Total Net Position	$ (3,936,112)	$ (3,097,357)

Changes in Net Position for the years ending June 30, 2018 and 2017

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Revenues:		
Federal and state revenues	$ 6,541,554	$ 5,579,750
Local revenues	1,514,675	1,722,575
In-kind and program income	287,989	164,599
Interest	1,016	1,834
Other revenues	363,362	427,947
Total revenues	8,708,596	7,896,705
Expenses:		
Personnel	3,954,506	3,975,468
Contractual	4,009,017	2,770,579
Other	1,584,236	1,332,226
Total operating expenses	9,547,759	8,078,273
Operating income (loss)	(839,163)	(181,568)
Non-operating income (expense)	408	-
Increase (decrease) in net position	(838,755)	(181,568)
Net position - beginning of year, As restated	(3,097,357)	(2,915,789)
Net position - end of year	$ (3,936,112)	$ (3,097,357)

CAPITAL ASSETS

As of June 30, 2018, the District's investment in capital assets totaled $697,654, which is a decrease of $64,381, or 8.4% over the capital asset balance of $762,035 at June 30, 2017 due to depreciation expense in conjunction with asset additions. A breakdown of the District's capital assets is presented in Note (7) of the financial statements.

LONG-TERM DEBT

The District's long-term obligations outstanding as of June 30, 2018 consisted of the following:

	2018	2017
Notes payable	$ 67,838	$ 76,940
Capital lease obligation	-	59,000
Total	$ 67,838	$ 135,940

The decrease in obligations of $68,102 is due to debt service payments made. Additional information on the District's long-term debt can be found in Note (8) of the financial statements.

FUTURE BUDGETARY IMPLICATIONS

The District's fiscal year is July 1 - June 30; some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. The District's beginning cash balance for beginning the 2019 fiscal year is $1,078,829. There was no significant Board action that impacted the finances during the current year.

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

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS		
Current assets -		
Cash and cash equivalents	$	1,078,829
Accounts receivable, net		1,053,441
Prepaid expenses		122,305
Notes receivable		15,502
Total current assets		2,270,077
Notes receivable, net of current portion		41,939
Capital assets, net		692,154
Total assets		3,004,170
Deferred outflows of resources-pension and OPEB		2,618,884
Total assets and deferred outflows	$	5,623,054
LIABILITIES AND NET POSITION		
Current liabilities -		
Accounts payable	$	242,576
Payroll related liabilities		229,372
Unearned revenue		128,518
Notes payable, current portion		9,106
Total current liabilities		609,572
Net pension liability		6,025,044
Net OPEB liability		2,069,325
Long-term debt		58,732
Total liabilities		8,762,673
Deferred inflows of resources-pension and OPEB		796,493
Net position -		
Invested in capital assets, net		692,154
Restricted for Revolving Loan Program		294,785
Unrestricted		(4,923,051)
Total net position		(3,936,112)
Total liabilities, deferred inflows, and net position	$	5,623,054

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

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

REVENUES		
Federal funds	$	4,785,268
State funds		1,756,286
Local governments		1,514,675
Local (includes in-kind and program income)		287,989
Revolving loan interest		1,016
Other		363,362
Total revenues		8,708,596
EXPENSES		
Direct salaries		2,558,523
Direct fringe benefits		1,395,983
Direct travel		177,599
Direct contract/program services		4,009,017
Other direct expenses		1,336,755
Depreciation		69,882
Total expenses		9,547,759
OPERATING INCOME (LOSS)		(839,163)
NONOPERATING REVENUES (EXPENSES)		
Interest income		408
Interest expense		-
Total nonoperating revenues (expenses)		408
CHANGE IN NET POSITION		(838,755)
BEGINNING NET POSITION, as restated		(3,097,357)
ENDING NET POSITION	$	(3,936,112)

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

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF CASH FLOWS

JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Grant receipts	$	8,570,354
Other receipts		256,701
Cash paid to/for:		
Payments to suppliers and providers of goods and services		(1,587,884)
Payments for employee services and benefits		(3,056,224)
Other payments - contractual		(4,009,017)
Net cash provided by operating activities		173,930
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment		(5,500)
Principal paid on capital debt		(68,102)
Net cash used for capital and related financing activities		(73,602)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		408
Net cash provided by investing activities		408
NET INCREASE IN CASH		100,736
CASH AT BEGINNING OF YEAR		978,093
CASH AT END OF YEAR	$	1,078,829
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$	(839,163)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense		69,882
Net pension adjustment		813,817
Change in assets and liabilities:		
Grants receivable		253,722
Prepaid expenses		(107,677)
Notes receivable		(31,093)
Accounts payable		(73,530)
Payroll related liabilities		84,465
Deferred revenues		3,507
Net cash provided by operating activities	$	173,930

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Presentation

The financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" as it relates to special-purpose governments and, accordingly, the financial statements consist of the following:

- Management's discussion and analysis (required supplementary information)
- Basic financial statements:
    - Fund financial statements
    - Notes to the financial statements

Entity-wide financial statements - the District is a single fund, special-purpose entity that provides regional planning, development, and aging services to the city, county, and nonprofit agencies within the five county area. No entity wide statements are required because a single proprietary fund is used for the District.

Fund financial statements - the District's financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows.

Basis of Accounting

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

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

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

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

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

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

Revolving Loan Notes Receivable

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

Compensated Absences

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

The accrued leave liability for accumulated annual leave reported in the statement of net position at June 30, 2018 was $104,409.

Cash and Cash Equivalents

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

Inventory

Supplies and materials are charged to expenditures when purchased.

Encumbrances

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

Account Classification

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

Allowance for Doubtful Accounts

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

Capital Assets

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

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

Description	Estimated Lives
Buildings and improvements	10-40 years
Equipment	5-10 years
Furniture and fixtures	5-10 years
Automobiles	5 years

Budgets and Budgetary Accounting

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

In-Kind

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

Deferred Outflows/Inflows of Resources

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

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

Pension and Other Post-Employment Benefits (OPEB)

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

Net Position

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cost Allocation Plan

Big Sandy Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms to 2 CFR Part 225. A summary of the cost allocation plan is on pages 15 and 28. The District is in conformity with 2 CFR Part 225.

Recent Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"). GASB 75 replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits ("OPEB"). In addition, GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. GASB 75 will be effective for the District beginning with its year ending June 30, 2018. See Note (17) for the effect of this adoption on beginning net position.

In March 2016, the GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements that arose during the implementation of GASB Statement No. 68. The adoption of this standard did not have a material effect on the District's financial statements.

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

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* ("GASB 85"), which seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses several topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (OPEB)). In particular, this Statement covers:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

See Note (17) for the effect of this adoption on beginning net position.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* ("GASB 86"), which seeks to (1) improve consistency in accounting and financial reporting for certain debt extinguishments and (2) enhance the decision-usefulness of such information. GASB 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, it amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB 86 establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. GASB 86 will be effective for the District beginning with its year ending June 30, 2018. The adoption of this standard did not have a material effect on the District's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

(2) ESTIMATES

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

(3) COST ALLOCATION

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

(4) GRANTS RECEIVABLE

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

	2018
Aging	$ 194,946
CDO	133,112
Transportation	11,712
JFA	101,299
Power EDA	28,576
Kentucky Works	468,917
Mountain Housing Corporation	76,594
Various others	38,285
	$ 1,053,441

(5) NOTES RECEIVABLE

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

	2018
Revolving loans - business	$ 57,441
Less: allowance for RLP	-
Net loans	57,441
Less: current portion	15,502
Long-term portion of loans	$ 41,939

(6) REVOLVING LOAN PROGRAM

The District received a grant of $457,500 from the U.S. Department of Commerce, Economic Development Administration (EDA) to establish a revolving loan program to stimulate economic development in the area. In addition, the District provided a local match of $152,500, as required by the grant. At June 30, 2018, the accompanying financial statements include revolving loans receivable of $57,441 and restricted cash of $335,606, respectively, of which 75% of the total is included as restricted net position or $294,785.

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	(As restated) June 30, 2017	Additions	Deductions	June 30, 2018
Land, not being depreciated	$ 41,000	$ -	$ -	$ 41,000
Assets being depreciated:				
Buildings	1,490,022	5,500	-	1,495,522
Equipment	253,774	-	-	253,774
Automobiles	209,881	-	-	209,881
Totals at historical cost	1,994,677	5,500	-	2,000,177
Less: accumulated depreciation	(1,238,142)	(69,881)	-	(1,308,023)
Capital Assets - Net	$ 756,535	$ (64,381)	$ -	$ 692,154

(8) NOTES PAYABLE

The District is a pass-through agent for several loans from Kentucky Housing Corporation to Mountain Housing Corporation. These loans are recorded as notes payable to Kentucky Housing Corporation and a current note receivable from Mountain Housing Corporation. The balance of the notes payable at June 30, 2018 was $67,838 of which $9,106 is classified as current.

(9) CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was $1,078,829. The bank balance totaled $1,267,484, of which $250,000 was covered by Federal depository insurance, with the remainder covered by collateral.

(10) PENSION PLAN

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

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

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

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 19.18% (14.48% - pension, 4.70% - insurance) of the member's salary. During the year ending June 30, 2018, the District contributed $357,751 to the CERS pension plan and

$116,091 to the CERS medical insurance plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2017. At June 30 2017, the District's proportion was 0.102934%.

For the year ended June 30, 2018, the District recognized pension expense of $710,803. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,473	$ 152,941
Changes of assumptions	1,111,784	-
Net difference between projected and actual earnings on pension plan investments	477,176	402,653
Changes in proportion and differences between District contributions and proportionate share of contributions	98,337	132,556
District contributions subsequent to the measurement date	357,751	-
Total	$ 2,052,521	$ 688,150

At June 30, 2018, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $357,751. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year	
2019	$ 401,257
2020	460,944
2021	221,784
2022	(77,365)
2023	-
	$ 1,006,620

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date:	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26 years
Asset Valuation Method	5-year smoothed market
Payroll growth	2.00%
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2017:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real return*	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
Total	100.0%	6.56%

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

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

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

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	$ 4,708,882	$ 6,025,044	$ 4,708,539

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

Payables to the pension plan: At June 30, 2018, the payables to CERS were $37,763.

(11) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS

County Employees Retirement System Insurance Fund

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

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

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

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

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2018, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2018, the District contributed $116,091 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

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

At June 30, 2018, the District reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2017. At June 30 2017, the District's proportion was 0.102934%.

For the year ended June 30, 2018, the District recognized OPEB expense of $135,731. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,747
Changes of assumptions	450,272	-
Net difference between projected and actual earnings on pension plan investments	-	97,795
Changes in proportion and differences between District contributions and proportionate share of contributions	-	4,801
District contributions subsequent to the measurement date	116,091	-
Total	$ 566,363	$ 108,343

At June 30, 2018, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $116,091. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year	
2019	$ 58,832
2020	58,832
2021	58,832
2022	58,832
2023	83,281
Thereafter	23,320
	$ 341,929

Actuarial Methods and Assumptions: The total OPEB liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real return*	10.0%	6.13%
Private Equity	10.0%	8.25%

Cash	2.0%	1.88%
Total	100.0%	6.56%

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

Discount rate - The discount rate used to measure the total OPEB liability was 5.84%. 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 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current discount rate (5.84%)	1% Increase (6.84%)
District's proportionate share of the net OPEB liability	$ 2,633,102	$ 2,069,325	$ 1,600,175

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	$ 1,587,279	$ 2,069,325	$ 2,695,957

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

Payables to the OPEB plan: At June 30, 2018, the payables to CERS were $12,254.

(12) CONTINGENCIES

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

(13) INSURANCE AND RELATED ACTIVITIES

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

(14) RISK MANAGEMENT

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

(15) COBRA

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

(16) UNEARNED REVENUE

The June 30, 2018 unearned grant revenue includes revenues received, but not earned, as follows:

	2018
Kentucky Works Program	$ 65,880
UMWA	55,233
Others	7,405
Total unearned revenue	$ 128,518

(17) CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and as amended by GASB Statement No. 85, *Omnibus 2017.* In addition, the District changed its method of classifying funds in the financial statements resulting in all funds being combined into one proprietary fund. As a result, the beginning equity balances in the governmental funds and governmental activities were combined into one proprietary fund/business-type activity. Also, certain restatements were made to correct errors.

Net Position as previously reported at June 30, 2017	$ (1,604,847)
Prior period adjustment implementation of GASB 75:	
Net OPEB (measurement date as of June 30, 2017)	(1,623,117)
Deferred outflows District contributions made during fiscal year 2017	118,014
Total prior period adjustment for GASB 75	(1,505,103)
Prior period adjustment to correct errors:	
Adjust other liabilities	154,724
Adjust accounts receivable	(142,131)
Net position as restated, June 30, 2017	$ (3,097,357)

REQUIRED SUPPLEMENTARY INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2018

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

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

The accompanying notes are an integral part of this schedule.

BIG SANDY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2018

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

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

The accompanying notes are an integral part of this schedule.

(1) CHANGES OF ASSUMPTIONS

CERS - PENSION

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

- The assumed investment rate of return was decreased from 7.75% to7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

There were no changes made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016.

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

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

CERS – OPEB

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

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

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

CERS - PENSION

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.5%

CERS – OPEB

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2018, determined as of July 1, 2015. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.5%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post – 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for CERS pension or OPEB.

SUPPLEMENTAL INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF SHARED COSTS

JUNE 30, 2018

	2018	2017
INDIRECT EXPENDITURES:		
Salaries	$ 330,669	$ 325,458
Fringe benefits	181,889	178,662
Contractual	21,588	32,530
Travel	8,787	8,341
Space rental	10,541	11,018
Equipment	1,237	8,433
Telephone	35,164	33,436
Utilities	29,869	28,022
Maintenance	28,176	25,418
Supplies	8,050	7,761
Postage and printing	7,708	8,275
Other expense	5,659	5,767
Training	2,883	2,676
Depreciation	33,750	36,114
Board expense	-	5,182
Dues and publications	10,778	14,817
Insurance	69,401	68,943
Total	$ 786,149	$ 800,853

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET

JOINT FUNDING ADMINISTRATION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2018

	Community Development Block Grant	ARC Planning and Assistance	Economic Development Administration	JFA Administration	Totals
REVENUES					
Federal grant	$ 9,292	$ 72,091	$ 70,000	$ -	$ 151,383
State grant	9,292	82,830	17,500	-	109,622
State unmatched	-	-	-	47,017	47,017
Local funds applied	800	-	4,326	-	5,126
In-kind	-	-	-	-	-
Total revenues	19,384	154,921	91,826	47,017	313,148
EXPENSES					
Direct expenses:					
Salaries	9,542	81,402	46,367	23,894	161,205
Fringe benefits	5,249	40,191	25,504	13,143	84,087
Space rent	282	3,356	1,721	1,443	6,802
Travel	913	1,497	1,804	72	4,286
Training	-	550	-	-	550
Supplies	-	153	-	-	153
Other	-	-	5	-	5
Postage and printing	20	-	9	6	35
Total direct expenses	16,006	127,149	75,410	38,558	257,123
Indirect Expenditures	3,378	27,772	16,416	8,459	56,025
Total expenses	19,384	154,921	91,826	47,017	313,148
Interest expense	-	-	-	-	-
	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING

JUNE 30, 2018

	Title III Administration Breakdown												
	Title III B Adminis-tration	Title III C1 Adminis-tration	Title III C2 Adminis-tration	Title III E Caregiver Admin	Total Title III Adminis-tration	Support Services B	Title III B Ombuds-man	Cong. Meals C-1	H.D. Meals C-2	Preventive Health D	Caregiver E	VII Elder Abuse	Sub-Totals
REVENUES													
Federal grant	$ 26,218	$ 14,177	$ 14,177	$ 8,086	$ 62,658	$ 170,718	$ 18,700	$ 149,253	$ 224,469	$ 12,006	$ 94,920	$ 3,139	$ 735,863
State grant	14,015	7,062	7,061	-	28,138	29,036	3,300	35,813	33,507	-	28,765	547	159,106
Local	-	-	-	-	-	265,139	-	170,030	778,928	-	-	-	1,214,097
Program income	-	-	-	-	-	3,407	-	79,175	45,949	-	-	-	128,531
Local income applied	17,448	14,614	13,422	10,118	55,602	5,448	203	3,312	4,852	2	7,359	34	76,812
Total revenues	57,681	35,853	34,660	18,204	146,398	473,748	22,203	437,583	1,087,705	12,008	131,044	3,720	2,314,409
EXPENSES:													
Direct expenses:													
Salaries	27,345	17,843	17,324	8,712	71,224	16,496	9,435	9,881	9,662	-	37,410	1,581	155,689
Fringe benefits	15,041	9,815	9,529	4,792	39,177	9,074	5,190	5,435	5,314	-	20,577	870	85,637
Contracts	-	-	-	-	-	441,394	198	418,289	1,068,827	12,008	57,168	33	1,997,917
Space rent	1,369	741	674	502	3,286	819	569	480	481	-	1,557	95	7,287
Travel	659	137	-	-	796	125	1,293	-	-	-	39	217	2,470
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	1,456	-	-	-	1,456	-	-	-	-	-	-	-	1,456
Training	-	-	-	-	-	-	7	-	-	-	-	1	8
Supplies	-	-	-	-	-	-	1,381	-	-	-	157	231	1,769
Other	216	-	-	-	216	-	15	-	-	-	-	3	234
Postage and printing	314	-	-	113	427	-	63	-	-	-	891	10	1,391
Dues and fees	1,600	1,000	1,000	1,000	4,600	-	712	-	-	-	-	119	5,431
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	48,000	29,536	28,527	15,119	121,182	467,908	18,863	434,085	1,084,284	12,008	117,799	3,160	2,259,289
Indirect Expenditures	9,681	6,317	6,133	3,085	25,216	5,840	3,340	3,498	3,421	-	13,245	560	55,120
Total expenses	57,681	35,853	34,660	18,204	146,398	473,748	22,203	437,583	1,087,705	12,008	131,044	3,720	2,314,409
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

BIG SANDY AREA DEVELOPMENT DISTRICT

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

JUNE 30, 2018

	Homecare Administration	Homecare	VII Ombudsman	SLTCO	NSIP	SHIP	Medicaid ADRC	IAO	FAST	MIPPA AAA	MIPPA SHIP	MIPPA ADRC	Total HC & Other	Area Agency on Aging Totals
REVENUES														
Federal grant	$ -	$ -	$ 5,109	$ -	$ 157,531	$ 23,044	$ 10,674	$ 3,000	$ 1,000	$ 8,317	$ 17,325	$ 3,588	$ 229,588	$ 965,451
State grant	76,003	652,202	902	26,788	-	-	10,674	-	-	-	-	-	766,569	925,675
Local	-	-	-	-	-	-	-	-	-	-	-	-	-	1,214,097
Program income	-	10,068	-	-	-	-	-	-	-	-	-	-	10,068	138,599
In-kind	-	7,445	-	-	-	-	-	-	-	-	-	-	7,445	7,445
Local income applied	2,446	57,820	55	247	-	1,501	3,032			244	508	16	65,869	142,681
Total revenues	78,449	727,535	6,066	27,035	157,531	24,545	24,380	3,000	1,000	8,561	17,833	3,604	1,079,539	3,393,948
EXPENSES														
Direct expenses:														
Salaries	39,011	360,172	2,578	11,488	-	11,836	12,365	-	-	4,361	9,085	1,725	452,621	608,310
Fringe benefits	21,458	198,117	1,418	6,319	-	6,510	6,802	-	-	2,399	4,997	949	248,969	334,606
Contracts	-	-	54	241	157,531	-	-	1,130	1,000	-	-	-	159,956	2,157,873
Space rent	1,115	12,166	156	693	-	846	751	-	-	166	346	71	16,310	23,597
Travel	175	23,643	353	1,574	-	22	30	-	-	81	169	18	26,065	28,535
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	1,583	-	-	-	-	-	-	-	-	-	-	1,583	3,039
Training	-	135	2	9	-	-	40	-	-	-	-	-	186	194
Supplies	9	1,653	377	1,682	-	14	14	-	-	10	20	-	3,779	5,548
Other	118	52	4	18	-	-	-	-	-	-	-	-	192	426
Postage and printing	406	2,499	17	77	-	1,127	-	-	-	-	-	230	4,356	5,747
Dues and fees	2,346	-	194	867	-	-	-	-	-	-	-	-	3,407	8,838
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	64,638	600,020	5,153	22,968	157,531	20,355	20,002	1,130	1,000	7,017	14,617	2,993	917,424	3,176,713
Indirect expenditures	13,811	127,515	913	4,067	-	4,190	4,378	-	-	1,544	3,216	611	160,245	215,365
Total expenses	78,449	727,535	6,066	27,035	157,531	24,545	24,380	1,130	1,000	8,561	17,833	3,604	1,077,669	3,392,078
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,870	$ -	$ -	$ -	$ -	$ 1,870	$ 1,870

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF OTHER GRANTS

JUNE 30, 2018

	AML	Senior Games	EDA Power	EDA SOAR	CDO	UMWA	GIS	Transportation Planning	Project Department	Comm. Collaborative for Children	Community of Hope	TANF Kentucky Works	Totals
REVENUES													
Federal grant	$ 1,013,170	$ -	$ 75,887	$ 24,460	$ -	$ -	$ 4,664	$ 5,966	$ 60,150	$ 100,473	$ -	$ 2,383,664	$ 3,668,434
State grant	-	-	-	-	557,262	-	49,828	66,882	-	-	-	-	673,972
Local	-	6,578	2,250	-	-	-	-	-	8,684	-	223,153	-	240,665
Other	-	-	-	-	-	331,899	-	-	-	-	-	-	331,899
Contract income	-	-	-	-	-	-	695	-	141,250	-	-	-	141,945
Interest income	4	-	-	-	-	-	-	-	-	-	-	-	4
Local funds applied	-	289	15,091	922	(99,951)	-	26,393	13,828	(74,555)	16,600	-	-	(101,383)
Total revenues	1,013,174	6,867	93,228	25,382	457,311	331,899	81,580	86,676	135,529	117,073	223,153	2,383,664	4,955,536
EXPENSES													
Direct expenses:													
Salaries	3,407	-	41,736	2,810	217,551	162,617	33,652	41,091	32,868	51,474	12,938	858,195	1,458,339
Fringe benefits	1,875	-	22,957	1,545	119,666	89,449	18,511	22,603	11,304	28,314	7,117	472,060	795,401
Contracts	1,005,756	6,866	5,441	20,022	17,085	-	-	-	72,306	2,260	198,056	123,964	1,451,756
Space rent	145	-	2,004	1	10,000	-	1,426	2,213	1,354	2,979	-	83,430	103,552
Travel	88	-	2,231	-	4,436	20,317	4,417	4,879	2,581	3,868	461	92,713	135,991
Equipment	-	-	-	-	679	-	371	-	-	-	-	6,040	7,090
Telephone	-	-	706	-	-	-	-	-	815	-	-	36,528	38,049
Training	-	-	766	-	250	978	1,397	1,075	760	1,225	-	7,015	13,466
Supplies	107	-	106	-	2,910	32	1,157	76	166	327	-	9,274	14,155
Other	585	-	2,255	-	449	787	2,104	-	739	8,173	-	3,129	18,221
Postage and printing	-	1	-	9	6,963	16	1,093	192	2,447	230	-	8,183	19,134
Dues and fees	5	-	250	-	300	130	5,539	-	100	-	-	1,499	7,823
Short term training	-	-	-	-	-	-	-	-	-	-	-	67,742	67,742
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	241,554	241,554
Transportation	-	-	-	-	-	-	-	-	-	-	-	68,504	68,504
Total direct expenses	1,011,968	6,867	78,452	24,387	380,289	274,326	69,667	72,129	125,440	98,850	218,572	2,079,830	4,440,777
Indirect Expenditures	1,206	-	14,776	995	77,022	57,573	11,913	14,547	10,089	18,223	4,581	303,834	514,759
Total expenses	1,013,174	6,867	93,228	25,382	457,311	331,899	81,580	86,676	135,529	117,073	223,153	2,383,664	4,955,536
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

JUNE 30, 2018

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	Revolving Loan Program	Admin-istrative Expense	Local Operations	Totals
REVENUES							
Federal grant	$ 151,383	$ 965,451	$ 3,668,434	$ -	$ -	$ -	$ 4,785,268
State grant	156,639	925,675	673,972	-	-	-	1,756,286
Local	-	1,214,097	240,665	-	-	59,913	1,514,675
Program income	-	138,599	-	-	-	-	138,599
In-kind	-	7,445	-	-	-	-	7,445
Other income	-	-	331,899	-	-	31,463	363,362
Contract income	-	-	141,945	-	-	-	141,945
Interest income	-	-	4	1,016	-	404	1,424
Local funds applied	5,126	142,681	(101,383)	-	-	(46,424)	-
Total revenues	313,148	3,393,948	4,955,536	1,016	-	45,356	8,709,004
EXPENSES							
Direct expenses:							
Salaries	161,205	608,310	1,458,339	-	330,669	-	2,558,523
Fringe benefits	84,087	334,606	795,401	-	181,889	-	1,395,983
Contracts	-	2,157,873	1,451,756	-	21,588	-	3,631,217
Space rent	6,802	23,597	103,552	-	10,541	-	144,492
Travel	4,286	28,535	135,991	-	8,787	-	177,599
Equipment	-	-	7,090	-	1,237	-	8,327
Telephone	-	3,039	38,049	-	35,164	-	76,252
Training	550	194	13,466	-	2,883	-	17,093
Supplies	153	5,548	14,155	-	8,050	49	27,955
Other	5	426	18,221	650	133,105	31,082	183,489
Postage and printing	35	5,747	19,134	-	7,708	-	32,624
Dues and fees	-	8,838	7,823	-	10,778	5,267	32,706
Short term training	-	-	67,742	-	-	-	67,742
Wage subsidy	-	-	241,554	-	-	-	241,554
Transportation	-	-	68,504	-	-	-	68,504
Depreciation	-	-	-	-	33,750	36,132	69,882
Net pension adjustment	-	-	-	-	-	813,817	813,817
Total direct expenses	257,123	3,176,713	4,440,777	650	786,149	886,347	9,547,759
Indirect Expenditures	56,025	215,365	514,759	-	(786,149)	-	-
Total expenses	313,148	3,392,078	4,955,536	650	-	886,347	9,547,759
Interest expense	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	$ -	$ 1,870	$ -	$ 366	$ -	$ (840,991)	$ (838,755)

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures	
Economic Development Administration					
Title IX RLP	11.300	N/A	$ -	$ 295,273	*
Economic Adjustment/Disaster Recovery	11.307	N/A	-	10,000	*
Economic Development Assistance - SOAR	11.307	04-79-06942	-	24,460	*
Total Economic Development Cluster			-	329,733	
Community and Economic Assistance - Power	11.302	04-86-07119	-	75,887	
Passed Through the State					
Department of Local Government -					
JFA - Community and Economic Assistance	11.302	PON2 112-1600000357-1	-	70,000	
Total Economic Development Administration			-	475,620	
U.S. Department of Health and Human Services					
Passed Through the Kentucky Cabinet					
for Health and Family Services -					
Title III-B - Supportive Services	93.044	PON2 725 1700002624 4	147,060	196,936	
Title III-B - Ombudsman	93.044	PON2 725 1700002624 4	-	18,700	
Title III-C1 - Nutrition Program	93.045	PON2 725 1700002624 4	136,680	163,430	
Title III-C2 - Nutrition Program	93.045	PON2 725 1700002624 5	213,032	238,646	
Nutrition Services Incentive Program	93.053	PON2 725 1700000566 2	157,531	157,531	
Total Aging Cluster			654,303	775,243	
Title III-E - Family Caregiver	93.052	PON2 725 1700002624 4	-	103,006	
Title III-D - Aging Program Preventive Health	93.043	PON2 725 1700002624 4	12,006	12,006	
Title VII - Elder Abuse Prevention	93.041	PON2 725 1700002624 4	-	3,139	
Title VII - Ombudsman	93.042	PON2 725 1700002624 4	-	5,109	
CMS - SHIP	93.779	PON2 725 1700002623 1	-	23,044	
ACA - MIPPA	93.071	PON2 725 1800000579 1	-	29,229	
Improving Arthritis Outcomes	93.945	PON2 725 17000026233 1	1,130	3,000	
Functional Assessment Service Teams	93.069	PON2 725 17000026232 1	-	1,000	
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 1700002631 3	-	10,674	
Community Based Child Abuse Prevention	93.590	PON2 736 1600001161 5	-	100,473	
Temporary Assistance to Needy Families (KY Works)	93.558	PON2 736 1600001912 2	123,965	2,383,664	
Total Department of Health and Human Services			791,404	3,449,587	
U.S. Department of Agriculture - Rural Housing Service					
Passed through Magoffin Co. Fiscal Court -					
Community Facilities Loans and Grants	10.766		-	750	
Total Department of Agriculture - Rural Housing Service			-	750	

The accompanying notes are an integral part of this schedule.

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures	
Appalachian Regional Commission					
JFA-ARC Planning	23.009	PON2 112 1600000357-1	-	72,091	
ARC Planning	23.001		-	4,664	
Total Appalachian Regional Commission			-	76,755	
U.S. Department of Transportation					
Passed Through the Kentucky Transportation Cabinet - Division of Planning - Area Transportation Planning	20.205		-	5,966	
Total U.S. Department of Transportation			-	5,966	
U. S. Department of Housing & Urban Development					
Passed Through the Kentucky Department of Local Government - Community Development Block Grants	14.228	PON2 112 1600000357-1	-	9,292	
Passed Through City of Elkhorn - Community Development Block Grants	14.228	11-037	-	22,500	
Passed Through Floyd County Fiscal Court - Community Development Block Grants	14.228	14-038	-	21,500	
Total Department of Housing & Urban Development			-	53,292	
U.S. Department of Homeland Security					
Passed Through the City of Paintsville - Hazard Mitigation	97.039		-	5,400	
Total U.S. Department of Homeland Security			-	5,400	
U.S. Department of Interior Office of Surface Mining Reclamation & Enforcement					
Abandoned Mine Land Reclamation - eKami	15.252	PO2 128 1700002616 1	-	951,587	*
Abandoned Mine Land Reclamation - RTT	15.252	PO2 128 1800001586 1	-	61,583	*
Total U.S. Department of Interior Office of Surface Mining Reclamation and Enforcement			-	1,013,170	
Total Expenditures of Federal Awards			$ 791,404	$ 5,080,540	

* Denotes major program.

The accompanying notes are an integral part of this schedule.

BIG SANDY AREA DEVELOPMENT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Big Sandy Area Development District (the District) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(3) INDIRECT COST RATE

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

(4) LOANS

At June 30, 2018, the District had loans outstanding in the amount of $57,447 with an allowance for doubtful accounts of $-0- under the Title IX-RLF loan program. The revolving loan federal expenditures is calculated by taking the current year loan balance of $57,447, plus the cash balance of $335,606, plus the current year administrative expenditures of $650, plus $0 in loans written off in the current year, and then multiplying this total by the Federal share of 75% which equals $295,277.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Big Sandy Area Development District, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Sandy Area Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 31, 2018

Kelley Galloway
Smith Goolsby, PSC
Certified Public Accountants and Advisors

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

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

Report on Compliance for Each Major Federal Program

We have audited Big Sandy Area Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 31, 2018

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements-

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
❑ Material weakness(es) identified?	_____Yes __X__ No
❑ Significant deficiency(ies) identified?	_____Yes __X__ None reported
Noncompliance material to the financial statements noted?	_____Yes __X__ No

Federal Awards-

Internal control over major federal programs:	
❑ Material weakness(es) identified?	_____Yes __X__ No
❑ Significant deficiency(ies) identified?	_____ Yes __X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes __X__ No
Identification of Major Programs:	CFDA No.
Title IX RLP	11.300 & 11.307
Abandoned Mine Land Reclamation	15.252
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	__X__ Yes ____ No

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in the current year.

BIG SANDY AREA DEVELOPMENT DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

There were no findings in the prior year.