

BIG SANDY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	49-50
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	51-52
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	53-54
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	55



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Big Sandy Area Development District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Big Sandy Area Development District as of June 30, 2020, and the respective changes in its financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 on our consideration of Big Sandy Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Sandy Area Development District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky

October 26, 2020

**BIG SANDY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,007,272 and the ending cash balance for the District was \$1,113,333.
- 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 \$6,582,648 as of June 30, 2019, which represents an increase of \$515,547 from the June 30, 2018 balance of \$6,067,101.
- The OPEB liability was required to be recorded under GASB No. 75 during the year. The District's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the OPEB liability was \$1,573,839 as of June 30, 2019 which represents a decrease from the June 30, 2018 balance of \$1,768,645.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District

can be divided into two categories: governmental and proprietary funds. The proprietary fund is the Revolving Loan Fund. All other activities of the District are included in the governmental funds. The basic fund financial statements can be found on pages 9 - 17 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,236,679 as of June 30, 2020.

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, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets		
Current Assets	\$ 2,473,268	\$ 2,277,640
Noncurrent Assets	611,469	670,759
Total Assets	<u>3,084,736</u>	<u>2,948,399</u>
Deferred outflows	<u>1,903,629</u>	<u>1,990,693</u>
Liabilities		
Current Liabilities	916,178	808,809
Noncurrent Liabilities	<u>8,197,000</u>	<u>7,885,369</u>
Total Liabilities	<u>9,113,178</u>	<u>8,694,178</u>
Deferred inflows	<u>1,111,866</u>	<u>980,601</u>
Net Position		
Investment in capital assets	586,587	640,534
Restricted	238	-
Unrestricted	<u>(5,823,504)</u>	<u>(5,376,221)</u>
Total Net Position	<u>\$ (5,236,679)</u>	<u>\$ (4,735,687)</u>

Changes in Net Position for the years ending June 30, 2020 and 2019

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Revenues:		
Federal and state revenues	\$ 7,015,127	\$ 6,000,639
Local revenues	1,165,718	1,454,211
In-kind and program income	132,509	143,567
Interest	604	474
Other revenues	<u>349,815</u>	<u>439,151</u>
Total revenues	<u>8,663,773</u>	<u>8,038,042</u>
Expenses:		
Personnel	3,481,742	3,823,897

Contractual	3,668,997	3,123,697
Other	2,014,026	1,594,867
Total operating expenses	<u>9,164,765</u>	<u>8,542,461</u>
Operating income (loss)	(500,992)	(504,419)
Non-operating income (expense)	<u>-</u>	<u>(295,156)</u>
Increase (decrease) in net position	(500,992)	(799,575)
Net position - beginning of year	<u>(4,735,687)</u>	<u>(3,936,112)</u>
Net position - end of year	<u>\$ (5,236,679)</u>	<u>\$ (4,735,687)</u>

FUND BASIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2020 and 2019, net of inter-fund transfers, was approximately \$8.4 million and \$8.0 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$8.4 million and \$7.9 million for the fiscal years ended June 30, 2020 and 2019, respectively.

Comments on Budget Comparisons

- General Fund budgeted revenues varied from line item to line item again this year. Total revenues were approximately \$47,000 above budget projections.

CAPITAL ASSETS

As of June 30, 2020, the District's investment in capital assets totaled \$586,587, which is a decrease of \$53,947, or 8.4% over the capital asset balance of \$640,534 at June 30, 2019 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, 2020 consisted of the following:

	2020	2019
Notes payable	<u>\$ 49,622</u>	<u>\$ 58,732</u>

The decrease in obligations of \$9,110 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 2020 fiscal year is \$1,113,333. 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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current assets -			
Cash and cash equivalents	\$ 1,041,439	\$ 71,894	\$ 1,113,333
Accounts receivable, net	1,346,178	-	1,346,178
Prepaid expenses	7,721	-	7,721
Notes receivable	-	6,036	6,036
Total current assets	<u>2,395,338</u>	<u>77,930</u>	<u>2,473,268</u>
Notes receivable, net of current portion	-	24,881	24,881
Capital assets, net	586,587	-	586,587
Total assets	<u>2,981,925</u>	<u>102,811</u>	<u>3,084,736</u>
Deferred outflows of resources-pension and OPEB	1,903,629	-	1,903,629
Total assets and deferred outflows	<u>\$ 4,885,554</u>	<u>\$ 102,811</u>	<u>\$ 4,988,365</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current liabilities -			
Accounts payable	\$ 403,363	\$ -	\$ 403,363
Payroll related liabilities	229,242	-	229,242
Unearned revenue	274,464	-	274,464
Notes payable, current portion	9,109	-	9,109
Total current liabilities	<u>916,178</u>	<u>-</u>	<u>916,178</u>
Net pension liability	6,582,648	-	6,582,648
Net OPEB liability	1,573,839	-	1,573,839
Long-term debt	40,513	-	40,513
Total liabilities	<u>9,113,178</u>	<u>-</u>	<u>9,113,178</u>
Deferred inflows of resources-pension and OPEB	1,111,866	-	1,111,866
Net position -			
Invested in capital assets, net	586,587	-	586,587
Restricted	238	-	238
Unrestricted	(5,926,315)	102,811	(5,823,504)
Total net position	<u>(5,339,490)</u>	<u>102,811</u>	<u>(5,236,679)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 4,885,554</u>	<u>\$ 102,811</u>	<u>\$ 4,988,365</u>

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

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General administration	\$ 594,094	\$ -	\$ -	\$ -	\$ (594,094)	\$ -	\$ (594,094)
Grant programs	8,570,000	124,718	8,188,636	-	(256,646)	-	(256,646)
Interest expense	671	-	-	-	(671)	-	(671)
Total governmental activities	<u>9,164,765</u>	<u>124,718</u>	<u>8,188,636</u>	<u>-</u>	<u>(851,411)</u>	<u>-</u>	<u>(851,411)</u>
Business-type activities:							
Revolving loan fund	-	2,083	-	-	-	2,083	2,083
Total business-type activities	-	2,083	-	-	-	2,083	2,083
Total primary government	<u>\$ 9,164,765</u>	<u>\$ 126,801</u>	<u>\$ 8,188,636</u>	<u>\$ -</u>	<u>\$ (851,411)</u>	<u>\$ 2,083</u>	<u>\$ (849,328)</u>
General revenues:							
Contract income					\$ 75,116	\$ -	\$ 75,116
Interest income					570	34	604
Other income					272,616	-	272,616
Total general revenues and transfers					<u>348,302</u>	<u>34</u>	<u>348,336</u>
Change in net position					(503,109)	2,117	(500,992)
Net position, June 30, 2019					<u>(4,836,381)</u>	<u>100,694</u>	<u>(4,735,687)</u>
Net position, June 30, 2020					<u>\$ (5,339,490)</u>	<u>\$ 102,811</u>	<u>\$ (5,236,679)</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Special Revenue (Grant) Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,023,973	\$ 17,466	\$ 1,041,439
Accounts receivable, net	15	1,346,163	1,346,178
Prepaid expenses	7,721	-	7,721
Interfund receivable	456,322	-	456,322
Total assets	\$ 1,488,031	\$ 1,363,629	\$ 2,851,660
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 403,363	\$ 403,363
Payroll related liabilities	-	229,242	229,242
Unearned revenue	-	274,464	274,464
Interfund payable	-	456,322	456,322
Total liabilities	-	1,363,391	1,363,391
Fund Balances:			
Restricted	-	238	238
Nonspendable	7,721	-	7,721
Unassigned	1,480,310	-	1,480,310
Total fund balances	1,488,031	238	1,488,269
Total liabilities and fund balances	\$ 1,488,031	\$ 1,363,629	\$ 2,851,660

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

**BIG SANDY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balance - Governmental Funds	\$ 1,488,269
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$2,023,209 net of accumulated depreciation of \$1,436,622 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	586,587
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	1,903,629
Deferred inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(1,111,866)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net OPEB liabilities	(1,573,839)
Net pension liabilities	(6,582,648)
Long-term debt	(49,622)
Net position, end of year - Governmental Activities	\$ (5,339,490)

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

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Federal grant	\$ -	\$ 5,270,548	\$ 5,270,548
State grant	-	1,744,579	1,744,579
Local	-	1,165,718	1,165,718
Program income	-	124,718	124,718
In-kind	-	7,791	7,791
Other income	42,586	230,030	272,616
Contract income	-	75,116	75,116
Interest income	549	21	570
Local funds applied	40,594	(40,594)	-
Total revenues	<u>83,729</u>	<u>8,577,927</u>	<u>8,661,656</u>
EXPENDITURES			
Salaries	-	2,217,266	2,217,266
Fringe benefits	-	1,264,476	1,264,476
Contracts	-	3,668,997	3,668,997
Space rent	-	77,094	77,094
Travel	-	122,550	122,550
Equipment	-	9,387	9,387
Telephone	-	40,305	40,305
Training	-	5,661	5,661
Supplies	-	18,661	18,661
Other	(8,379)	45,412	37,033
Postage and printing	-	18,356	18,356
Dues and fees	-	576	576
Short term training	-	48,187	48,187
Wage subsidy	-	134,495	134,495
Transportation	-	96,510	96,510
Indirect costs	-	802,067	802,067
Capital outlay	9,601	-	9,601
Debt service	9,636	-	9,636
Total expenditures	<u>10,858</u>	<u>8,570,000</u>	<u>8,580,858</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>72,871</u>	<u>7,927</u>	<u>80,798</u>
Other financing sources (uses):			
Transfers in (out)	7,689	(7,689)	-
Total other financing sources and uses	<u>7,689</u>	<u>(7,689)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	80,560	238	80,798
BEGINNING FUND BALANCES	<u>1,407,471</u>	<u>-</u>	<u>1,407,471</u>
ENDING FUND BALANCES	<u>\$ 1,488,031</u>	<u>\$ 238</u>	<u>\$ 1,488,269</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - Governmental Funds \$ 80,798

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

Capital outlay	9,601	
Depreciation expense	<u>(63,548)</u>	(53,947)

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

CERS expense - pension and OPEB		(460,653)
CERS contributions - pension and OPEB		(78,417)

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

Debt payments		<u>9,110</u>
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Change in net position of Governmental Activities		<u><u>\$ (503,109)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2020

	RLF FUND
ASSETS	
Current assets -	
Cash and cash equivalents	\$ 71,894
Notes receivable	6,036
Total current assets	77,930
Notes receivable, net of current portion	24,881
Total assets	\$ 102,811
LIABILITIES AND NET POSITION	
Current liabilities -	
Accounts payable	\$ -
Total current liabilities	-
Total liabilities	-
Net position -	
Restricted for Revolving Loan Program	-
Unrestricted	102,811
Total net position	102,811
Total liabilities and net position	\$ 102,811

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

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	RLF Fund
REVENUES	
Revolving loan interest	\$ 2,083
Other	-
Total revenues	2,083
 EXPENSES	
Other direct expenses	-
Total expenses	-
 OPERATING INCOME (LOSS)	2,083
 NONOPERATING REVENUES (EXPENSES)	
Interest income	34
Interest expense	-
Total nonoperating revenues (expenses)	34
 CHANGE IN NET POSITION	2,117
 BEGINNING NET POSITION	100,694
 ENDING NET POSITION	\$ 102,811

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

BIG SANDY AREA DEVELOPMENT DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2020

	<u>RLF Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from:	
Other receipts	\$ 2,083
Cash paid to/for:	
Other payments	<u>-</u>
Net cash provided by operating activities	<u>2,083</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on notes receivable	<u>10,579</u>
Net cash used for capital and related financing activities	<u>10,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>34</u>
Net cash provided by investing activities	<u>34</u>
NET INCREASE IN CASH	12,696
CASH AT BEGINNING OF YEAR	<u>59,198</u>
CASH AT END OF YEAR	<u><u>\$ 71,894</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,083
Change in assets and liabilities:	
Accounts payable	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 2,083</u></u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Other income	\$ 36,550	\$ -	\$ 36,550	\$ 83,180	\$ 46,630
Interest income	-	-	-	549	549
Total revenues	<u>36,550</u>	<u>-</u>	<u>36,550</u>	<u>83,729</u>	<u>47,179</u>
EXPENDITURES					
Other	11,400	-	11,400	(8,379)	19,779
Dues and fees	-	-	-	-	-
Capital outlay	-	-	-	9,601	(9,601)
Debt service	-	-	-	9,636	(9,636)
Total expenditures	<u>11,400</u>	<u>-</u>	<u>11,400</u>	<u>10,858</u>	<u>542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,150</u>	<u>-</u>	<u>25,150</u>	<u>72,871</u>	<u>47,721</u>
Other Financing Sources					
Transfers	-	-	-	7,689	7,689
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,689</u>	<u>7,689</u>
Net change in fund balances	25,150	-	25,150	80,560	55,410
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,407,471</u>	<u>1,407,471</u>
Fund balance, end of year	<u>\$ 25,150</u>	<u>\$ -</u>	<u>\$ 25,150</u>	<u>\$ 1,488,031</u>	<u>\$ 1,462,881</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Grant income	\$ 8,307,381	\$ -	\$ 8,307,381	\$ 8,180,845	\$ (126,536)
Program income	108,000	-	108,000	124,718	16,718
In-kind	-	-	-	7,791	7,791
Other income	121,607	-	121,607	189,436	67,829
Contract income	-	-	-	75,116	75,116
Interest income	-	-	-	21	21
Total revenues	<u>8,536,988</u>	<u>-</u>	<u>8,536,988</u>	<u>8,577,927</u>	<u>40,939</u>
EXPENDITURES					
Salaries	2,386,299	-	2,386,299	2,217,266	169,033
Fringe benefits	1,384,054	-	1,384,054	1,264,476	119,578
Contracts	3,401,336	-	3,401,336	3,948,189	(546,853)
Space rent	112,000	-	112,000	77,094	34,906
Travel	236,007	-	236,007	122,550	113,457
Equipment	14,000	-	14,000	9,387	4,613
Telephone	47,500	-	47,500	40,305	7,195
Training	19,002	-	19,002	5,661	13,341
Supplies	29,964	-	29,964	18,661	11,303
Other	7,043	-	7,043	45,412	(38,369)
Postage and printing	23,352	-	23,352	18,356	4,996
Dues and fees	20,450	-	20,450	576	19,874
Indirect costs	819,273	-	819,273	802,067	17,206
Total expenses	<u>8,500,280</u>	<u>-</u>	<u>8,500,280</u>	<u>8,570,000</u>	<u>(69,720)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>36,708</u>	<u>-</u>	<u>36,708</u>	<u>7,927</u>	<u>(28,781)</u>
Other financing sources (uses):					
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,689)</u>	<u>(7,689)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,689)</u>	<u>(7,689)</u>
NET CHANGE IN FUND BALANCES	36,708	-	36,708	238	(36,470)
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 36,708</u>	<u>\$ -</u>	<u>\$ 36,708</u>	<u>\$ 238</u>	<u>\$ (36,470)</u>

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

**BIG SANDY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Presentation

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

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

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

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

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

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

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

I. Governmental Fund Types

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

II. Proprietary Fund Types

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

Basis of Accounting

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

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

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

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

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

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

Revolving Loan Notes Receivable

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

Compensated Absences

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

The accrued leave liability for accumulated annual leave reported in the statement of net position at June 30, 2020 was \$98,996.

Cash and Cash Equivalents

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

Inventory

Supplies and materials are charged to expenditures when purchased.

Encumbrances

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

Account Classification

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

Allowance for Doubtful Accounts

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

Capital Assets

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

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

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

Fund Balance Reserves

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

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

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

Budgets and Budgetary Accounting

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

In-Kind

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

Deferred Outflows/Inflows of Resources

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

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

Pension and Other Post-Employment Benefits (OPEB)

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

Net Position

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cost Allocation Plan

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

Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

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

recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

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

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

(2) ESTIMATES

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

(3) COST ALLOCATION

Joint costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per a written cost allocation plan. All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared

(indirect) cost. Direct charges are defined in 2 CFR Part 225, Uniform Guidance as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purpose benefiting more than one grant and/or program element. All costs are recognized under the provisions of 2 CFR Part 225, Uniform Guidance.

(4) GRANTS RECEIVABLE

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

	<u>2020</u>
Aging	\$ 415,916
CDO	341,374
Transportation	16,598
Kentucky Works	401,580
Abandoned Mine Land	97,580
Mountain Housing Corporation	49,622
Various others	<u>23,508</u>
	<u>\$1,346,178</u>

(5) INTERFUND RECEIVABLE/PAYABLE

Interfund loans as of June 30, 2020 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 456,322	\$ -
Special revenue	-	456,322
Total	<u>\$ 456,322</u>	<u>\$ 456,322</u>

(6) NOTES RECEIVABLE

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

	<u>2020</u>
Revolving loans - business	\$ 30,917
Less: allowance for RLP	-
Net loans	<u>30,917</u>
Less: current portion	<u>6,036</u>
Long-term portion of loans	<u>\$ 24,881</u>

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

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Land, not being depreciated	\$ 41,000	\$ -	\$ -	\$ 41,000
Assets being depreciated:				
Buildings	1,611,778	9,601	-	1,621,379
Equipment	150,949	-	-	150,949

Automobiles	209,881	-	-	209,881
Totals at historical cost	2,013,608	9,601	-	2,023,209
Less: accumulated depreciation	(1,373,074)	(63,548)	-	(1,436,622)
Capital Assets - Net	<u>\$ 640,534</u>	<u>\$ (53,947)</u>	<u>\$ -</u>	<u>\$ 586,587</u>

(8) LONG-TERM OBLIGATIONS

The District is a pass-through agent for several loans from Kentucky Housing Corporation to Mountain Housing Corporation. These loans are recorded as notes payable to Kentucky Housing Corporation and a current note receivable from Mountain Housing Corporation. The balance of the notes payable at June 30, 2020 was \$49,622 of which \$9,109 is classified as current.

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

<u>Description</u>	<u>Balance at June 30, 2019</u>	<u>Issued</u>	<u>Payments</u>	<u>Balance at June 30, 2020</u>
Notes payable - 1.0%				
Maturing 12/31/2030	\$ 58,732	\$ -	\$ 9,110	\$ 49,622
Net pension liability	6,067,101	515,547	-	6,582,648
Net OPEB liability	1,768,645	-	194,806	1,573,839
	<u>\$ 7,894,478</u>	<u>\$ 515,547</u>	<u>\$ 203,916</u>	<u>\$ 8,206,109</u>

The notes payable are secured by all assets and pledged revenues of the District. Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2020:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2021	\$ 9,109	\$ 435	\$ 9,544
2022	9,121	344	9,465
2023	7,923	262	8,185
2024	7,023	189	7,212
2025	5,644	105	5,749
2026-30	10,606	164	10,770
2031	196	1	197
	<u>\$ 49,622</u>	<u>\$ 1,500</u>	<u>\$ 51,122</u>

Net Pension Liability

The net pension liability is \$6,582,648 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2020. See Note 10 for more detailed information.

Net OPEB Liability

The net OPEB liability is \$1,573,839 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2020. See Note 11 for more detailed information.

(9) CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was \$1,113,333. The bank balance totaled \$1,215,180, of which \$250,000 was covered by Federal depository insurance, with the remainder covered by collateral.

(10) PENSION PLAN

County Employees Retirement System

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

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2020, employers were required to contribute 24.06% (19.30% - pension, 4.76% insurance) of the member's salary. During the year ending June 30, 2020, the District contributed \$468,432 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2019, the District's proportion was 0.093596%.

For the year ended June 30, 2020, the District recognized pension expense of approximately \$1,007,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 168,075	\$ 27,813
Changes of assumptions	666,239	-
Net difference between projected and actual earnings on investments	-	106,115
Changes in proportion and differences between District contributions and proportionate share of contributions	19,667	289,081
District contributions subsequent to the measurement date	468,432	-
	<u>\$ 1,322,413</u>	<u>\$ 423,009</u>

The \$468,432 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>Year</u>	
2021	\$ 341,721
2022	52,029
2023	29,694
2024	7,528
	<u>\$ 430,972</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension Liability as of June 30, 2019, is determined using these updated assumptions.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%

Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	3.89%

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:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 8,233,026	\$ 6,582,648	\$ 5,207,075

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, 2020, there was a total payable to CERS of \$-0-.

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

County Employees Retirement System Insurance Fund

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

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

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

members receive a contribution subsidy for only the member’s health insurance premium.

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

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2020, CERS allocated 4.76% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2020, the District contributed \$115,502 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, 2020, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the District's proportion was 0.093572%.

For the year ended June 30, 2020, the District recognized OPEB expense of approximately \$144,000, including an implicit subsidy of \$27,370. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 474,864
Changes of assumptions	465,714	3,114
Net difference between projected and actual earnings on investments	-	69,903
Changes in proportion and differences between District contributions and proportionate share of contributions	-	140,976
District contributions subsequent to the measurement date	115,502	-
	<u>\$ 581,216</u>	<u>\$ 688,857</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$115,502 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021.

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

<u>Year</u>		
2021	\$	(40,664)
2022		(40,664)
2023		(18,439)
2024		(60,949)
2025		(52,125)
Thereafter		(10,302)
		<u>\$ (223,143)</u>

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB- 2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013- 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions

are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The Total OPEB Liability as of June 30, 2019, is determined using these updated assumptions.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	3.89%

Discount rate - The discount rate used to measure the total OPEB liability was 5.68%. 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 24 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 3.13%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<u>1% Decrease (4.68%)</u>	<u>Current discount rate (5.68%)</u>	<u>1% Increase (6.68%)</u>
District's proportionate share of the net OPEB liability	\$ 2,108,297	\$ 1,573,839	\$ 1,133,481

Sensitivity of the District’s proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District’s proportionate share of the collective net OPEB liability, as well as what the District’s proportionate share of the collective net

OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,170,472	\$ 1,573,839	\$ 2,062,969

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

Payables to the OPEB plan: At June 30, 2020, there was a total payable to CERS of \$-0-.

(12) CONTINGENCIES

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

(13) INSURANCE AND RELATED ACTIVITIES

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

(14) RISK MANAGEMENT

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

(15) COBRA

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

(16) UNEARNED REVENUE

The June 30, 2020 unearned grant revenue includes revenues received, but not earned, as follows:

	<u>2020</u>
Kentucky Works Program	\$ 86,126
UMWA	180,360
Others	7,978
Total unearned revenue	<u>\$ 274,464</u>

(17) SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

**BIG SANDY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Pension:						
District's proportion of the net pension liability	0.094%	0.100%	0.103%	0.100%	0.107%	0.110%
District's proportionate share of the net pension liability	\$ 6,582,648	\$ 6,067,101	\$ 6,025,044	\$ 4,913,246	\$ 4,610,707	\$ 3,577,000
District's covered-employee payroll	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018	\$ 2,282,665	\$ 2,511,169	\$ 2,529,835
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	279.749%	245.582%	241.483%	215.242%	183.608%	141.393%
Plan fiduciary net position as a percentage of the total pension liability	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
OPEB:						
District's proportion of the OPEB liability	0.094%	0.100%	0.103%			
District's proportionate share of the OPEB liability	\$ 1,573,839	\$ 1,768,645	\$ 2,069,325			
District's covered-employee payroll	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the OPEB liability as a percentage of its covered-employee payroll	66.885%	71.590%	82.938%			
Plan fiduciary net position as a percentage of the total OPEB liability	60.400%	57.620%	52.400%			

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

**BIG SANDY AREA DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pension:							
Contractually required contribution	\$ 468,432	\$ 381,665	\$ 357,751	\$ 348,055	\$ 283,507	\$ 320,174	\$ 347,524
Contributions in relation to the contractually required contribution	<u>468,432</u>	<u>381,665</u>	<u>357,751</u>	<u>348,055</u>	<u>283,507</u>	<u>320,174</u>	<u>347,524</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018	\$ 2,282,665	\$ 2,511,169	\$ 2,529,835
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
OPEB:							
Contractually required contribution	\$ 115,502	\$ 123,852	\$ 116,091	\$ 118,014			
Contributions in relation to the contractually required contribution	<u>115,502</u>	<u>123,852</u>	<u>116,091</u>	<u>118,014</u>			
Contribution deficiency (excess)	-	-	-	-			
District's covered-employee payroll	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	4.76%	5.26%	4.70%	4.73%			

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

BIG SANDY AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

FOR THE YEAR ENDED JUNE 30, 2020

(1) CHANGES OF ASSUMPTIONS

CERS

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

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

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

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

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the

fiscal year ended 2018, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(3) CHANGES OF BENEFITS

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

BIG SANDY AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

FOR THE YEAR ENDED JUNE 30, 2020

(1) CHANGES OF ASSUMPTIONS

CERS Insurance Fund

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

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

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2019:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.25% at January 1, 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% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(3) CHANGES OF BENEFITS

CERS Insurance Fund

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

SUPPLEMENTAL INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF SHARED COSTS

JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
INDIRECT EXPENDITURES:		
Salaries	\$ 344,831	\$ 318,278
Fringe benefits	201,586	176,202
Contractual	19,473	22,700
Travel	4,769	5,054
Space rental	-	1,615
Equipment	3,333	1,109
Telephone	52,492	37,938
Utilities	28,014	30,057
Maintenance	27,463	27,785
Supplies	6,875	6,640
Postage and printing	11,105	6,441
Other expense	5,831	9,945
Training	40	2,772
Depreciation	28,454	28,918
Dues and publications	8,528	9,105
Insurance	59,273	68,167
Total	<u>\$ 802,067</u>	<u>\$ 752,726</u>

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
JOINT FUNDING ADMINISTRATION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2020

	Community Development Block Grant	ARC Planning and Assistance	Economic Development Administration	JFA Administration	Totals
REVENUES					
Federal grant	\$ 8,367	\$ 95,236	\$ 66,667	\$ -	\$ 170,270
State grant	8,367	94,689	16,667	-	119,723
State unmatched	-	-	-	-	-
Local funds applied	7,943	5,367	9,677	-	22,987
In-kind	-	-	-	-	-
Total revenues	<u>24,677</u>	<u>195,292</u>	<u>93,011</u>	<u>-</u>	<u>312,980</u>
EXPENSES					
Direct expenses:					
Salaries	12,257	100,874	46,233	-	159,364
Fringe benefits	7,087	52,367	26,734	-	86,188
Space rent	-	-	-	-	-
Travel	873	3,056	2,619	-	6,548
Equipment	-	1,942	-	-	1,942
Training	-	1,260	300	-	1,560
Supplies	-	26	4	-	30
Other	4	452	243	-	699
Postage and printing	-	14	69	-	83
Total direct expenses	<u>20,221</u>	<u>159,991</u>	<u>76,202</u>	<u>-</u>	<u>256,414</u>
Indirect Expenditures	<u>4,456</u>	<u>35,301</u>	<u>16,809</u>	<u>-</u>	<u>56,566</u>
Total expenses	<u>24,677</u>	<u>195,292</u>	<u>93,011</u>	<u>-</u>	<u>312,980</u>
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING
FOR THE YEAR ENDED JUNE 30, 2020

	Title III Administration Breakdown					Support Services B	Title III B Ombuds- man	Cong. Meals C-1	H.D. Meals C-2	Preventive Health D	Caregiver E	VII Elder Abuse	Sub- Totals
	Title III B Adminis- tration	Title III C1 Adminis- tration	Title III C2 Adminis- tration	Title III E Caregiver Admin	Total Title III Adminis- tration								
REVENUES													
Federal grant	\$ 31,818	\$ 21,555	\$ 26,398	\$ 10,856	\$ 90,627	\$ 186,391	\$ 20,046	\$ 184,706	\$ 360,532	\$ 8,379	\$ 96,654	\$ 3,192	\$ 950,527
State grant	12,757	4,753	4,730	-	22,240	12,111	3,300	11,076	12,000	-	18,329	532	79,588
Local	-	-	-	-	-	263,825	245	183,615	708,433	-	-	-	1,156,118
Program income	-	-	-	-	-	2,313	-	69,784	47,649	-	-	-	119,746
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-
Local income applied	1,638	6,836	2,669	7,702	18,845	550	106	3,617	2,558	-	15,731	51	41,458
Total revenues	<u>46,213</u>	<u>33,144</u>	<u>33,797</u>	<u>18,558</u>	<u>131,712</u>	<u>465,190</u>	<u>23,697</u>	<u>452,798</u>	<u>1,131,172</u>	<u>8,379</u>	<u>130,714</u>	<u>3,775</u>	<u>2,347,437</u>
EXPENSES:													
Direct expenses:													
Salaries	20,910	16,547	16,828	9,557	63,842	16,964	10,017	11,910	11,254	-	42,970	1,596	158,553
Fringe benefits	12,091	9,568	9,731	5,526	36,916	9,809	5,792	6,887	6,508	-	24,555	923	91,390
Contracts	-	-	-	-	-	431,049	-	429,213	1,108,860	8,388	46,766	-	2,024,276
Space rent	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	944	13	-	-	957	-	732	-	-	-	-	117	1,806
Equipment	-	-	-	-	-	-	452	-	-	-	-	72	524
Telephone	1,605	-	-	-	1,605	-	-	-	-	-	-	-	1,605
Training	-	-	-	-	-	-	6	-	-	-	-	1	7
Supplies	-	-	-	-	-	742	3	-	-	(247)	249	-	747
Other	2,910	1,000	1,120	-	5,030	458	2,906	458	458	-	-	463	9,773
Postage and printing	144	-	-	-	144	-	147	-	-	-	619	23	933
Dues and fees	7	-	-	-	7	-	-	-	-	-	-	-	7
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	<u>38,611</u>	<u>27,128</u>	<u>27,679</u>	<u>15,083</u>	<u>108,501</u>	<u>459,022</u>	<u>20,055</u>	<u>448,468</u>	<u>1,127,080</u>	<u>8,141</u>	<u>115,159</u>	<u>3,195</u>	<u>2,289,621</u>
Indirect Expenditures	<u>7,602</u>	<u>6,016</u>	<u>6,118</u>	<u>3,475</u>	<u>23,211</u>	<u>6,168</u>	<u>3,642</u>	<u>4,330</u>	<u>4,092</u>	<u>-</u>	<u>15,555</u>	<u>580</u>	<u>57,578</u>
Total expenses	<u>46,213</u>	<u>33,144</u>	<u>33,797</u>	<u>18,558</u>	<u>131,712</u>	<u>465,190</u>	<u>23,697</u>	<u>452,798</u>	<u>1,131,172</u>	<u>8,141</u>	<u>130,714</u>	<u>3,775</u>	<u>2,347,199</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238	\$ -	\$ -	\$ 238

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2020

	Homecare Administration	Homecare	VII Ombudsman	SLTCO	NSIP	SHIP	Medicaid ADRC	FAST	MIPPA AAA	MIPPA SHIP	MIPPA ADRC	Total HC & Other	Area Agency on Aging Totals
REVENUES													
Federal grant	\$ -	\$ -	\$ 5,653	\$ -	\$ 145,791	\$ 22,611	\$ 10,800	\$ 1,000	\$ 9,159	\$ 12,633	\$ 7,587	\$ 215,234	\$ 1,165,761
State grant	61,653	554,887	919	26,614	-	-	10,800	-	-	-	-	654,873	734,461
Local	-	-	-	-	-	-	-	-	-	-	-	-	1,156,118
Program income	-	4,972	-	-	-	-	-	-	-	-	-	4,972	124,718
In-kind	-	7,791	-	-	-	-	-	-	-	-	-	7,791	7,791
Local income applied	18,480	13,208	104	108	-	6,357	1,125	6	3,577	819	1,462	45,246	86,704
Total revenues	<u>80,133</u>	<u>580,858</u>	<u>6,676</u>	<u>26,722</u>	<u>145,791</u>	<u>28,968</u>	<u>22,725</u>	<u>1,006</u>	<u>12,736</u>	<u>13,452</u>	<u>9,049</u>	<u>928,116</u>	<u>3,275,553</u>
EXPENSES													
Direct expenses:													
Salaries	39,743	281,800	2,822	11,296	-	13,816	11,784	-	6,554	6,894	5,608	380,317	538,870
Fringe benefits	22,981	162,948	1,632	6,532	-	7,989	6,375	-	3,790	3,986	800	217,033	308,423
Contracts	-	-	-	-	145,791	-	-	-	-	-	-	145,791	2,170,067
Space rent	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	134	17,069	206	825	-	259	28	-	9	12	(5)	18,537	20,343
Equipment	-	2,955	127	509	-	-	-	-	-	-	-	3,591	4,115
Telephone	-	2,015	-	-	-	-	-	-	-	-	-	2,015	3,620
Training	-	153	2	7	-	-	-	-	-	-	15	177	184
Supplies	8	2,314	1	3	-	8	56	1,006	-	54	410	3,860	4,607
Other	2,291	8,121	819	3,277	-	485	206	-	-	-	589	15,788	25,561
Postage and printing	527	1,029	41	166	-	1,388	93	-	-	-	156	3,400	4,333
Dues and fees	-	-	-	-	-	-	-	-	-	-	-	-	7
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	<u>65,684</u>	<u>478,404</u>	<u>5,650</u>	<u>22,615</u>	<u>145,791</u>	<u>23,945</u>	<u>18,542</u>	<u>1,006</u>	<u>10,353</u>	<u>10,946</u>	<u>7,573</u>	<u>790,509</u>	<u>3,080,130</u>
Indirect expenditures	<u>14,449</u>	<u>102,454</u>	<u>1,026</u>	<u>4,107</u>	<u>-</u>	<u>5,023</u>	<u>4,183</u>	<u>-</u>	<u>2,383</u>	<u>2,506</u>	<u>1,476</u>	<u>137,607</u>	<u>195,185</u>
Total expenses	<u>80,133</u>	<u>580,858</u>	<u>6,676</u>	<u>26,722</u>	<u>145,791</u>	<u>28,968</u>	<u>22,725</u>	<u>1,006</u>	<u>12,736</u>	<u>13,452</u>	<u>9,049</u>	<u>928,116</u>	<u>3,275,315</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES													
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF OTHER GRANTS

FOR THE YEAR ENDED JUNE 30, 2020

	AML	EDA SOAR	CDO	UMWA	GIS	Transportation Planning	Project Department	Comm. Collaborative for Children	TANF Kentucky Works	Totals
REVENUES										
Federal grant	\$ 1,225,064	\$ 109,878	\$ -	\$ -	\$ -	\$ -	\$ 129,321	\$ 134,157	\$ 2,336,097	\$ 3,934,517
State grant	-	-	773,514	-	50,000	66,881	-	-	-	890,395
Local	-	-	-	-	-	9,600	-	-	-	9,600
Other	-	-	-	217,144	-	-	12,886	-	-	230,030
Contract income	-	-	-	-	1,474	-	73,642	-	-	75,116
Interest income	21	-	-	-	-	-	-	-	-	21
Local funds applied	352	3,175	(191,501)	-	21,572	18,212	(28,084)	25,989	-	(150,285)
Total revenues	<u>1,225,437</u>	<u>113,053</u>	<u>582,013</u>	<u>217,144</u>	<u>73,046</u>	<u>94,693</u>	<u>187,765</u>	<u>160,146</u>	<u>2,336,097</u>	<u>4,989,394</u>
EXPENSES										
Direct expenses:										
Salaries	7,762	8,070	276,887	109,279	31,112	45,261	76,661	73,752	890,248	1,519,032
Fringe benefits	4,489	4,666	160,108	63,190	17,990	26,172	35,827	42,646	514,777	869,865
Contracts	1,201,948	96,798	29,156	-	-	-	46,670	1,917	122,441	1,498,930
Space rent	-	-	-	-	-	-	-	-	77,094	77,094
Travel	275	385	3,101	4,584	2,593	3,938	1,705	3,210	75,868	95,659
Equipment	-	-	-	-	1,844	-	-	-	1,486	3,330
Telephone	-	200	-	-	-	-	-	-	36,485	36,685
Training	-	-	123	-	1,025	1,449	-	1,320	-	3,917
Supplies	224	-	1,381	-	127	467	84	2,512	9,229	14,024
Other	228	-	3,591	340	5,661	158	295	7,180	1,699	19,152
Postage and printing	-	-	6,847	20	1,383	785	502	636	3,767	13,940
Dues and fees	-	-	150	-	-	7	108	159	145	569
Short term training	-	-	-	-	-	-	-	-	48,187	48,187
Wage subsidy	-	-	-	-	-	-	-	-	134,495	134,495
Transportation	-	-	-	-	-	-	-	-	96,510	96,510
Total direct expenses	<u>1,214,926</u>	<u>110,119</u>	<u>481,344</u>	<u>177,413</u>	<u>61,735</u>	<u>78,237</u>	<u>161,852</u>	<u>133,332</u>	<u>2,012,431</u>	<u>4,431,389</u>
Indirect Expenditures	<u>2,822</u>	<u>2,934</u>	<u>100,669</u>	<u>39,731</u>	<u>11,311</u>	<u>16,456</u>	<u>25,913</u>	<u>26,814</u>	<u>323,666</u>	<u>550,316</u>
Total expenses	<u>1,217,748</u>	<u>113,053</u>	<u>582,013</u>	<u>217,144</u>	<u>73,046</u>	<u>94,693</u>	<u>187,765</u>	<u>160,146</u>	<u>2,336,097</u>	<u>4,981,705</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 7,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,689</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES

FOR THE YEAR ENDED JUNE 30, 2020

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	Total Grant Funds	Admin- istrative Expense	Local Operations	Totals
REVENUES							
Federal grant	\$ 170,270	\$1,165,761	\$ 3,934,517	\$ 5,270,548	\$ -	\$ -	\$ 5,270,548
State grant	119,723	734,461	890,395	1,744,579	-	-	1,744,579
Local	-	1,156,118	9,600	1,165,718	-	-	1,165,718
Program income	-	124,718	-	124,718	-	-	124,718
In-kind	-	7,791	-	7,791	-	-	7,791
Other income	-	-	230,030	230,030	-	42,586	272,616
Contract income	-	-	75,116	75,116	-	-	75,116
Interest income	-	-	21	21	-	549	570
Local funds applied	22,987	86,704	(150,285)	(40,594)	-	40,594	-
Total revenues	<u>312,980</u>	<u>3,275,553</u>	<u>4,989,394</u>	<u>8,577,927</u>	<u>-</u>	<u>83,729</u>	<u>8,661,656</u>
EXPENSES							
Direct expenses:							
Salaries	159,364	538,870	1,519,032	2,217,266	344,831	-	2,562,097
Fringe benefits	86,188	308,423	869,865	1,264,476	201,586	-	1,466,062
Contracts	-	2,170,067	1,498,930	3,668,997	19,473	-	3,688,470
Space rent	-	-	77,094	77,094	-	-	77,094
Travel	6,548	20,343	95,659	122,550	4,769	-	127,319
Equipment	1,942	4,115	3,330	9,387	3,333	-	12,720
Telephone	-	3,620	36,685	40,305	52,492	-	92,797
Training	1,560	184	3,917	5,661	40	-	5,701
Supplies	30	4,607	14,024	18,661	6,875	-	25,536
Other	699	25,561	19,152	45,412	120,581	20,601	186,594
Postage and printing	83	4,333	13,940	18,356	11,105	-	29,461
Dues and fees	-	7	569	576	8,528	-	9,104
Short term training	-	-	48,187	48,187	-	-	48,187
Wage subsidy	-	-	134,495	134,495	-	-	134,495
Transportation	-	-	96,510	96,510	-	-	96,510
Depreciation	-	-	-	-	28,454	35,094	63,548
Pension and OPEB adjustment	-	-	-	-	-	539,070	539,070
Total direct expenses	<u>256,414</u>	<u>3,080,130</u>	<u>4,431,389</u>	<u>7,767,933</u>	<u>802,067</u>	<u>594,765</u>	<u>9,164,765</u>
Indirect Expenditures	<u>56,566</u>	<u>195,185</u>	<u>550,316</u>	<u>802,067</u>	<u>(802,067)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>312,980</u>	<u>3,275,315</u>	<u>4,981,705</u>	<u>8,570,000</u>	<u>-</u>	<u>594,765</u>	<u>9,164,765</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>-</u>	<u>238</u>	<u>7,689</u>	<u>7,927</u>	<u>-</u>	<u>(511,036)</u>	<u>(503,109)</u>
TRANSFER TO (FROM)	<u>-</u>	<u>-</u>	<u>(7,689)</u>	<u>(7,689)</u>	<u>-</u>	<u>7,689</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ (503,347)</u>	<u>\$ (503,109)</u>

Reconciliation to Governmental Funds:

Total expenditures per above	\$ 9,164,765
Depreciation expense	(63,548)
Debt payments	9,110
Assets capitalized	9,601
Net pension and OPEB adjustment	(539,070)
Total expenditures per Governmental Funds	<u>\$ 8,580,858</u>

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Economic Development Administration</u>				
Economic Development Assistance - SOAR	11.307	04-79-06942	\$ 86,087	\$ 86,087
Community and Economic Assistance - Power Passed Through the State	11.302	04-86-07119	10,711	23,792
Department of Local Government - JFA - Community and Economic Assistance	11.302	PON2 1900003294 2	-	66,667
Passed through KCTCS - Community and Economic Assistance	11.302		-	9,800
Passed through Westcare Kentucky - Community and Economic Assistance	11.302		-	15,000
Total Economic Development Cluster			96,798	201,346
 <u>U.S. Department of Health and Human Services</u>				
Passed Through the Kentucky Cabinet for Health and Family Services -				
Title III-B - Supportive Services	93.044	PON2 725 2000001251 4	164,910	211,552 *
COVID-19 - Title III-B - Supportive Services	93.044	PON2 725 2000001251 4	-	6,657 *
Title III-B - Ombudsman	93.044	PON2 725 2000001251 4	-	20,046 *
Title III-C1 - Nutrition Program	93.045	PON2 725 2000001251 4	156,499	182,465 *
COVID-19 - Title III-C1 - Nutrition Program	93.045	PON2 725 2000001251 4	19,315	23,796 *
Title III-C2 - Nutrition Program	93.045	PON2 725 2000001251 4	207,598	260,704 *
COVID-19 - Title III-C2 - Nutrition Program	93.045	PON2 725 2000001251 4	116,818	126,226 *
Nutrition Services Incentive Program	93.053	PON2 725 1900000884 3	145,791	145,791 *
Total Aging Cluster			810,931	977,237 *
Title III-E - Family Caregiver	93.052	PON2 725 2000001251 4	-	107,510
Title III-D - Aging Program Preventive Health	93.043	PON2 725 2000001251 4	8,379	8,379
Title VII - Elder Abuse Prevention	93.041	PON2 725 1900004491	-	3,192
Title VII - Ombudsman	93.042	PON2 725 1900004491	-	5,653
CMS - SHIP	93.779	PON2 725 2000000094 2	-	22,611
ACA - MIPPA	93.071	PON2 725 2000000094 2	-	29,379
Functional Assessment Service Teams	93.069	PON2 725 1900000533 1	-	1,000
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 1900000816 5	-	10,800
Community Based Child Abuse Prevention	93.590	PON2 736 1800002003 1	-	134,157
Temporary Assistance to Needy Families (KY Works)	93.558	PON2 736 1900002232 1	122,441	2,071,011
Passed Through Mountain Comprehensive Care Center - Rural Healthcare Services Outreach Improvement	93.512		-	6,600
Total Department of Health and Human Services			941,751	3,377,529

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, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Appalachian Regional Commission</u>				
Passed Through the Kentucky Department for Local Government - JFA-ARC Planning	23.009	KY-702-E-C52-19	-	95,236
Passed Through Martin County Water District - Appalachian Area Development	23.002		-	6,345
Total Appalachian Regional Commission			-	101,581
<u>U. S. Department of Housing & Urban Development</u>				
Passed Through the Kentucky Department for Local Government - Community Development Block Grants	14.228	PON2 2000003294 2	-	8,367
Passed Through City of Pikeville Community Development Block Grants	14.228	15-064	-	19,800
Passed Through City of Wayland Community Development Block Grants	14.228	15-035	-	14,000
Passed Through Pike County Fiscal Court Community Development Block Grants	14.228	15-067	-	3,746
Total Department of Housing & Urban Development			-	45,913
<u>U. S. Department of Agriculture</u>				
Passed Through Kentucky Cabinet for Health & Family Services - Supplemental Nutrition Assistance Program	10.561	PON2 1900001661	-	265,086 *
Total Department of Agriculture			-	265,086 *
<u>U. S. Department of Homeland Security</u>				
Passed Through the City of Paintsville - Hazard Mitigation	97.039		-	7,360
Passed Through Kentucky Office of Homeland Security - Homeland Security	97.067	PON 2 1900001661	-	46,670
Total Department of Homeland Security			-	54,030
<u>U.S. Department of Interior Office of Surface Mining Reclamation & Enforcement</u>				
Abandoned Mine Land Reclamation - eKami	15.252	PO2 128 1700002616 1	-	38,873
Abandoned Mine Land Reclamation - eKami II	15.252	SC 128 1900001933 1	-	78,705
Abandoned Mine Land Reclamation - eKami Prison	15.252	SC 128 2000000585 1	-	38,476
Abandoned Mine Land Reclamation - RTI	15.252	SC 128 1700002616 2	-	237,536
Abandoned Mine Land Reclamation - MCW	15.252	SC 128 1900000095 1	-	748,578
Abandoned Mine Land Reclamation - MCW	15.252	SC 128 2000000468 1	-	69,760
Total U.S. Department of Interior			-	1,211,928
Total Expenditures of Federal Awards			\$ 1,038,549	\$ 5,257,413

* 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, 2020

(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, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(3) INDIRECT COST RATE

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Big Sandy Area Development District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Big Sandy Area Development District's basic financial statements, and have issued our report thereon dated October 26, 2020.

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 Hallway Smith Hobbs, PSC

Ashland, Kentucky
October 26, 2020



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

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

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

Report on Compliance for Each Major Federal Program

We have audited Big Sandy Area Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. 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, 2020.

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 26, 2020

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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.

Aging Cluster	93.044, 93.045, 93.053
Supplemental Nutrition Assistance Program	10.561

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

Auditee qualified as low risk auditee? X Yes _____ No

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020**

There were no findings in the prior year.