

BIG SANDY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Big Sandy Area Development District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 35 through 40 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.

Supplementary 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 25, 2022 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 Ballouay Smith Hoelsky, PSC

Ashland, Kentucky
October 25, 2022

**BIG SANDY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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 \$1,524,722 and the ending cash balance for the District was \$1,897,687.
- The net pension liability required to be recorded under GASB No. 68 decreased 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 \$6,063,116 as of June 30, 2021, which represents an decrease of \$1,204,054 from the June 30, 2020 balance of \$7,267,170.
- 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 \$1,820,144 as of June 30, 2021 which represents a decrease of \$469,104 from the June 30, 2020 balance of \$2,287,248.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Revolving Loan Fund. All other activities of the District are included in the governmental funds. The basic fund financial statements can be found on pages 9 - 17 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 34 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 \$5,500,584 as of June 30, 2022.

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, 2022 and 2021

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets		
Current Assets	\$ 3,254,430	\$ 2,520,048
Noncurrent Assets	641,905	548,508
Total Assets	<u>3,896,335</u>	<u>3,068,556</u>
Deferred outflows	<u>1,583,059</u>	<u>2,158,239</u>
Liabilities		
Current Liabilities	1,159,071	750,738
Noncurrent Liabilities	7,941,458	9,585,810
Total Liabilities	<u>9,100,529</u>	<u>10,336,548</u>
Deferred inflows	<u>1,879,449</u>	<u>647,450</u>
Net Position		
Investment in capital assets	496,026	528,814
Restricted	259,746	9,139
Unrestricted	(6,256,356)	(6,295,156)
Total Net Position	<u>\$ (5,500,584)</u>	<u>\$ (5,757,203)</u>

Changes in Net Position for the years ending June 30, 2022 and 2021

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenues:		
Federal and state revenues	\$ 7,356,801	\$ 8,845,250
Local revenues	392,706	816,744
In-kind and program income	938,353	118,244
Interest	910	687
Other revenues	276,708	263,502
Total revenues	<u>8,965,478</u>	<u>10,044,427</u>
Expenses:		
Personnel	3,097,049	3,495,156

Contractual	4,289,332	5,183,567
Other	1,322,478	1,886,228
Total operating expenses	<u>8,708,859</u>	<u>10,564,951</u>
Increase (decrease) in net position	256,619	(520,524)
Net position - beginning of year	<u>(5,757,203)</u>	<u>(5,236,679)</u>
Net position - end of year	<u>\$ (5,500,584)</u>	<u>\$ (5,757,203)</u>

FUND BASIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2022 and 2021, net of inter-fund transfers, was approximately \$9.0 million and \$10.0 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$8.6 million and \$9.8 million for the fiscal years ended June 30, 2022 and 2021, respectively.

Comments on Budget Comparisons

- General Fund budgeted revenues varied from line item to line item again this year. For Special Revenue Funds, total revenues were approximately \$2.1 million below budget and expenditures were \$2.2 million below budget due to less grant funding than anticipated.

CAPITAL ASSETS

As of June 30, 2022, the District's investment in capital assets totaled \$496,026, which is a decrease of \$32,788, or 6.2% over the capital asset balance of \$528,814 as of June 30, 2021 due to depreciation expense in conjunction with asset additions. A breakdown of the District's capital assets is presented in Note (8) of the financial statements.

As of June 30, 2022, the District's right to use leased assets totaled \$79,801, which is a decrease of \$39,496, or 33.1% over the right to use leased asset balance of \$119,297 as of June 30, 2021 due to amortization expense in conjunction with asset additions. A breakdown of the District's right to use leased assets is presented in Note (9) of the financial statements.

LONG-TERM DEBT

The District's long-term obligations outstanding as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Notes payable	<u>\$ 31,391</u>	<u>\$ 40,509</u>
Lease payable	<u>\$ 81,215</u>	<u>\$ 119,297</u>

The decrease in obligations of \$9,118 and \$42,883 is due to debt service payments made. Leases payable increased \$4,801 for the year. Additional information on the District's long-term debt can be found in Note (10) 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 2023 fiscal year is \$1,897,687. 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, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS			
Current assets -			
Cash and cash equivalents	\$ 1,812,275	\$ 85,412	\$ 1,897,687
Accounts receivable, net	1,314,023	-	1,314,023
Prepaid expenses	22,330	-	22,330
Lease receivable	14,396	-	14,396
Notes receivable	-	5,994	5,994
Total current assets	<u>3,163,024</u>	<u>91,406</u>	<u>3,254,430</u>
Notes receivable, net of current portion	-	13,700	13,700
Lease receivable, net of current portion	52,378	-	52,378
Right to use leased assets, net	79,801	-	79,801
Capital assets, net	496,026	-	496,026
Total assets	<u>3,791,229</u>	<u>105,106</u>	<u>3,896,335</u>
Deferred outflows of resources-pension and OPEB	<u>1,583,059</u>	<u>-</u>	<u>1,583,059</u>
Total assets and deferred outflows	<u>\$ 5,374,288</u>	<u>\$ 105,106</u>	<u>\$ 5,479,394</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Current liabilities -			
Accounts payable	\$ 392,304	\$ -	\$ 392,304
Payroll related liabilities	211,163	-	211,163
Unearned revenue	501,196	-	501,196
Lease payable, current portion	46,485	-	46,485
Notes payable, current portion	7,923	-	7,923
Total current liabilities	<u>1,159,071</u>	<u>-</u>	<u>1,159,071</u>
Net pension liability	6,063,116	-	6,063,116
Net OPEB liability	1,820,144	-	1,820,144
Lease payable, net of current portion	34,730	-	34,730
Long-term debt, net of current portion	23,468	-	23,468
Total liabilities	<u>9,100,529</u>	<u>-</u>	<u>9,100,529</u>
Deferred inflows of resources-			
Leases	61,702	-	61,702
Pension and OPEB	1,817,747	-	1,817,747
	<u>1,879,449</u>	<u>-</u>	<u>1,879,449</u>
Net position -			
Invested in capital assets, net	496,026	-	496,026
Restricted	259,746	-	259,746
Unrestricted	(6,361,462)	105,106	(6,256,356)
Total net position	<u>(5,605,690)</u>	<u>105,106</u>	<u>(5,500,584)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 5,374,288</u>	<u>\$ 105,106</u>	<u>\$ 5,479,394</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, 2022

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	\$ 147,378	\$ -	\$ -	\$ -	\$ (147,378)	\$ -	\$ (147,378)
Grant programs	8,560,359	938,353	7,749,507	-	127,501	-	127,501
Interest expense	430	-	-	-	(430)	-	(430)
Total governmental activities	<u>8,708,167</u>	<u>938,353</u>	<u>7,749,507</u>	<u>-</u>	<u>(20,307)</u>	<u>-</u>	<u>(20,307)</u>
Business-type activities:							
Revolving loan fund	692	1,367	-	-	-	675	675
Total business-type activities	<u>692</u>	<u>1,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>
Total primary government	<u>\$ 8,708,859</u>	<u>\$ 939,720</u>	<u>\$ 7,749,507</u>	<u>\$ -</u>	<u>\$ (20,307)</u>	<u>\$ 675</u>	<u>\$ (19,632)</u>
General revenues:							
Contract income					\$ 40,852	\$ -	\$ 40,852
Interest income					869	41	910
Other income					234,489	-	234,489
Total general revenues and transfers					<u>276,210</u>	<u>41</u>	<u>276,251</u>
Change in net position					255,903	716	256,619
Net position, June 30, 2021					<u>(5,861,593)</u>	<u>104,390</u>	<u>(5,757,203)</u>
Net position, June 30, 2022					<u>\$ (5,605,690)</u>	<u>\$ 105,106</u>	<u>\$ (5,500,584)</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, 2022**

	General	Special Revenue (Grant) Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,768,287	\$ 43,988	\$ 1,812,275
Accounts receivable, net	266	1,313,757	1,314,023
Prepaid expenses	22,330	-	22,330
Lease receivable	66,774	-	66,774
Interfund receivable	-	6,664	6,664
	<u>\$ 1,857,657</u>	<u>\$ 1,364,409</u>	<u>\$ 3,222,066</u>
Total assets			
Liabilities			
Liabilities:			
Accounts payable	\$ -	\$ 392,304	\$ 392,304
Payroll related liabilities	-	211,163	211,163
Unearned revenue	-	501,196	501,196
Interfund payable	6,664	-	6,664
	<u>6,664</u>	<u>1,104,663</u>	<u>1,111,327</u>
Total liabilities			
Deferred Inflows of Resources			
Leases	61,702	-	61,702
Total deferred inflows of resources	<u>61,702</u>	<u>-</u>	<u>61,702</u>
Fund Balances			
Restricted	-	259,746	259,746
Nonspendable	27,402	-	27,402
Unassigned	1,761,889	-	1,761,889
	<u>1,789,291</u>	<u>259,746</u>	<u>2,049,037</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 1,857,657</u>	<u>\$ 1,364,409</u>	<u>\$ 3,222,066</u>

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, 2022**

Total fund balance - Governmental Funds	\$ 2,049,037
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$2,036,349 net of accumulated depreciation of \$1,540,323 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	496,026
Right to use leased assets of \$213,860 net of accumulated amortization of \$134,059 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	79,801
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	1,583,059
Deferred inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(1,817,747)
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	(1,820,144)
Net pension liabilities	(6,063,116)
Leases payable	(81,215)
Long-term debt	<u>(31,391)</u>
Net position, end of year - Governmental Activities	<u>\$ (5,605,690)</u>

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

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Federal grant	\$ -	\$ 5,058,624	\$ 5,058,624
State grant	-	2,298,177	2,298,177
Local	-	392,706	392,706
Program income	-	938,353	938,353
In-kind	-	-	-
Other income	50,653	188,637	239,290
Contract income	-	40,852	40,852
Interest income	865	4	869
Local funds applied	86,014	(86,014)	-
Total revenues	<u>137,532</u>	<u>8,831,339</u>	<u>8,968,871</u>
EXPENDITURES			
Salaries	-	1,933,563	1,933,563
Fringe benefits	-	1,163,486	1,163,486
Contracts	-	4,289,332	4,289,332
Space rent	-	84,134	84,134
Travel	2,115	98,737	100,852
Equipment	-	21,444	21,444
Telephone	-	24,668	24,668
Training	-	11,294	11,294
Supplies	-	22,946	22,946
Other	28,383	21,578	49,961
Postage and printing	-	23,677	23,677
Dues and fees	20	4,665	4,685
Short term training	-	6,528	6,528
Wage subsidy	-	13,595	13,595
Transportation	-	46,832	46,832
Indirect costs	-	793,880	793,880
Capital outlay	-	13,140	13,140
Debt service	9,548	-	9,548
Total expenditures	<u>40,066</u>	<u>8,573,499</u>	<u>8,613,565</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>97,466</u>	<u>257,840</u>	<u>355,306</u>
Other financing sources (uses):			
Transfers in (out)	<u>7,233</u>	<u>(7,233)</u>	<u>-</u>
Total other financing sources and uses	<u>7,233</u>	<u>(7,233)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	104,699	250,607	355,306
BEGINNING FUND BALANCES	<u>1,684,592</u>	<u>9,139</u>	<u>1,693,731</u>
ENDING FUND BALANCES	<u>\$ 1,789,291</u>	<u>\$ 259,746</u>	<u>\$ 2,049,037</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, 2022**

Net change in fund balances - Governmental Funds \$ 355,306

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

Capital outlay	13,140	
Depreciation expense	<u>(45,928)</u>	(32,788)
Right to use leased assets	4,801	
Amortization expense	<u>(44,297)</u>	(39,496)

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		(84,096)
CERS contributions - pension and OPEB		9,777

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.

New lease payable		(4,801)
Lease payments		42,883
Debt payments		<u>9,118</u>

Change in net position of Governmental Activities \$ 255,903

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, 2022

	RLF FUND
ASSETS	
Current assets -	
Cash and cash equivalents	\$ 85,412
Notes receivable	5,994
Total current assets	91,406
Notes receivable, net of current portion	13,700
Total assets	\$ 105,106
LIABILITIES AND NET POSITION	
Current liabilities -	
Accounts payable	\$ -
Total current liabilities	-
Total liabilities	-
Net position -	
Restricted for Revolving Loan Program	-
Unrestricted	105,106
Total net position	105,106
Total liabilities and net position	\$ 105,106

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, 2022

	RLF Fund
REVENUES	
Revolving loan interest	\$ 1,367
Other	-
Total revenues	1,367
EXPENSES	
Other direct expenses	692
Total expenses	692
OPERATING INCOME (LOSS)	675
NONOPERATING REVENUES (EXPENSES)	
Interest income	41
Interest expense	-
Total nonoperating revenues (expenses)	41
CHANGE IN NET POSITION	716
BEGINNING NET POSITION	104,390
ENDING NET POSITION	\$ 105,106

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, 2022

	<u>RLF Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from:	
Other receipts	\$ 1,367
Cash paid to/for:	
Other payments	<u>(692)</u>
Net cash provided by operating activities	<u>675</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on notes receivable	<u>6,337</u>
Net cash provided by capital and related financing activities	<u>6,337</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>41</u>
Net cash provided by investing activities	<u>41</u>
 NET INCREASE IN CASH	7,053
 CASH AT BEGINNING OF YEAR	<u>78,359</u>
 CASH AT END OF YEAR	<u><u>\$ 85,412</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 675
Change in assets and liabilities:	
Accounts payable	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 675</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, 2022**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Other income	\$ 36,500	\$ -	\$ 36,500	\$ 136,667	\$ 100,167
Interest income	-	-	-	865	865
Total revenues	<u>36,500</u>	<u>-</u>	<u>36,500</u>	<u>137,532</u>	<u>101,032</u>
EXPENDITURES					
Salaries	-	-	-	-	-
Fringe benefits	-	-	-	-	-
Supplies	-	-	-	-	-
Other	16,400	-	16,400	30,518	(14,118)
Indirect costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	9,548	(9,548)
Total expenditures	<u>16,400</u>	<u>-</u>	<u>16,400</u>	<u>40,066</u>	<u>(23,666)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,100</u>	<u>-</u>	<u>20,100</u>	<u>97,466</u>	<u>77,366</u>
Other Financing Sources					
Transfers	-	-	-	7,233	7,233
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,233</u>	<u>7,233</u>
Net change in fund balances	20,100	-	20,100	104,699	84,599
Fund balance, beginning of year	-	-	-	1,684,592	1,684,592
Fund balance, end of year	<u>\$ 20,100</u>	<u>\$ -</u>	<u>\$ 20,100</u>	<u>\$ 1,789,291</u>	<u>\$ 1,769,191</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, 2022**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Grant income	\$ 10,860,788	\$ -	\$ 10,860,788	\$ 7,749,507	\$ (3,111,281)
Program income	-	-	-	938,353	938,353
In-kind	-	-	-	-	-
Other income	36,550	-	36,550	102,623	66,073
Contract income	-	-	-	40,852	40,852
Interest income	-	-	-	4	4
Total revenues	<u>10,897,338</u>	<u>-</u>	<u>10,897,338</u>	<u>8,831,339</u>	<u>(2,065,999)</u>
EXPENDITURES					
Salaries	2,273,877	-	2,273,877	1,933,563	340,314
Fringe benefits	1,398,435	-	1,398,435	1,163,486	234,949
Contracts	5,612,604	-	5,612,604	4,356,287	1,256,317
Space rent	105,000	-	105,000	84,134	20,866
Travel	249,716	-	249,716	98,737	150,979
Equipment	42,759	-	42,759	34,584	8,175
Telephone	50,300	-	50,300	24,668	25,632
Training	37,800	-	37,800	11,294	26,506
Supplies	42,182	-	42,182	22,946	19,236
Other	31,308	-	31,308	21,578	9,730
Postage and printing	27,846	-	27,846	23,677	4,169
Dues and fees	21,300	-	21,300	4,665	16,635
Indirect costs	838,553	-	838,553	793,880	44,673
Total expenses	<u>10,731,680</u>	<u>-</u>	<u>10,731,680</u>	<u>8,573,499</u>	<u>2,158,181</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>165,658</u>	<u>-</u>	<u>165,658</u>	<u>257,840</u>	<u>92,182</u>
Other financing sources (uses):					
Transfers in (out)	-	-	-	(7,233)	(7,233)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,233)</u>	<u>(7,233)</u>
NET CHANGE IN FUND BALANCES	165,658	-	165,658	250,607	84,949
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,139</u>	<u>9,139</u>
ENDING FUND BALANCE	<u>\$ 165,658</u>	<u>\$ -</u>	<u>\$ 165,658</u>	<u>\$ 259,746</u>	<u>\$ 94,088</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, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Presentation

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

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

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

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

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

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

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

I. Governmental Fund Types

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

II. Proprietary Fund Types

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

Basis of Accounting

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

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

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

Unearned 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.

Lease Receivable

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivables. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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, 2022 was \$100,111.

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

Right-to-Use Assets

The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight line basis over the life of the related lease.

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

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

Budgets and Budgetary Accounting

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

In-Kind

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has several items that meet the criterion for this category – leases and pension and OPEB deferrals.

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. The District has several items that meet the criterion for this category – leases and pension and OPEB deferrals.

Pension and Other Post-Employment Benefits (OPEB)

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

Net Position

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cost Allocation Plan

Big Sandy Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms to 2 CFR Part 225. A summary of the cost allocation plan is on pages 24 and 41. The District is in conformity with 2 CFR Part 225.

Recent Accounting Pronouncements

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. As a result of adopting this standard, the District recorded right to use leased assets and leases payable of \$119,297 as of July 1, 2021.

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. The adoption of this standard did not have a material effect on the District’s 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. The adoption of this standard did not have a material effect on the District’s financial statements.

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

(2) ESTIMATES

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

(3) COST ALLOCATION

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

(4) ACCOUNTS RECEIVABLE

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

	<u>2022</u>
Aging	\$ 60,967
CDO	546,343
JFA	97,206
Kentucky Works	302,490
Abandoned Mine Land	234,287
Mountain Housing Corporation	31,691
Various others	41,039
	<u>\$1,314,023</u>

(5) INTERFUND RECEIVABLE/PAYABLE

Interfund loans as of June 30, 2022 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ -	\$ 6,664
Special revenue	6,664	-
Total	<u>\$ 6,664</u>	<u>\$ 6,664</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>2022</u>
Revolving loans - business	\$ 19,694
Less: allowance for RLP	-
Net loans	19,694
Less: current portion	5,994
Long-term portion of loans	<u>\$ 13,700</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) LEASE RECEIVABLE

In January 2021, the District entered a lease with the U.S. House of Representatives to lease office space for \$500 per month to them. The lease expires on January 2, 2023, which is the end of the

constitutional term of the 117th Congress. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.5%.

In July 2017, the District entered a lease with the Unlawful Narcotics Investigations Treatment and Education, Inc. (UNITE) to lease office space for \$337.50 per month to them. In October 2017, the District entered another lease with UNITE to lease additional office space for \$750.00 per month to them. The leases automatically renew annually unless terminated by the parties. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.5% and an assumed term of ten years.

In fiscal year 2022, the District recognized \$16,833 of lease revenue and \$2,650 of interest revenue from the above leases.

(8) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Land, not being depreciated	\$ 41,000	\$ -	\$ -	\$ 41,000
Assets being depreciated:				
Buildings	1,621,379	13,140	-	1,634,519
Equipment	150,949	-	-	150,949
Automobiles	209,881	-	-	209,881
Totals at historical cost	2,023,209	13,140	-	2,036,349
Less: accumulated depreciation	(1,494,395)	(45,928)	-	(1,540,323)
Capital Assets - Net	<u>\$ 528,814</u>	<u>\$ (32,788)</u>	<u>\$ -</u>	<u>\$ 496,026</u>

(9) RIGHT TO USE LEASED ASSETS

The District has recorded four right to use leased assets. The assets are right to use assets for leased office space and equipment. The related leases are discussed in the Leases subsection of the Long-Term Obligations section of the footnotes. The right to use leased assets are amortized on a straight-basis over the terms of the related leases.

Right to use leased asset activity for the fiscal year ended June 30, 2022, was as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Intangible right to use asset	\$ 209,059	\$ 4,801	\$ -	\$ 213,860
Totals at historical cost	209,059	4,801	-	213,860
Less: accumulated amortization	(89,762)	(44,297)	-	(134,059)
Right to Use Leased Assets - Net	<u>\$ 119,297</u>	<u>\$ (39,496)</u>	<u>\$ -</u>	<u>\$ 79,801</u>

(10) LONG-TERM OBLIGATIONS

A. Notes Payable

The District is a pass-through agent for several loans from Kentucky Housing Corporation to Mountain Housing Corporation. These loans are recorded as notes payable to Kentucky Housing Corporation and a current note receivable from Mountain Housing Corporation. The balance of the notes payable at June 30, 2022 was \$31,391 of which \$7,923 is classified as current.

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, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2023	\$ 7,923	\$ 262	\$ 8,185
2024	7,023	189	7,212

2025	5,644	105	5,749
2026	5,648	73	5,721
2027	2,701	38	2,739
2028-31	2,452	30	2,482
	<u>\$ 31,391</u>	<u>\$ 697</u>	<u>\$ 32,088</u>

B. Leases

The District has entered into agreements to lease certain office space and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

1. A lease agreement was executed on October 1, 2021, to lease a copier and requires 63 monthly payments of \$78 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
2. A lease agreement was executed on July 1, 2016, to lease office space and requires 60 monthly payments of \$938 per month. The lease has an automatic two year renewal option with a 3.5% rental increase yearly. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
3. A lease agreement was executed on July 1, 2020, to lease office space and requires 24 monthly payments of \$1,400 per month. The lease was renewed for an additional two year period. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
4. A lease agreement was executed on July 1, 2016, to lease office space and requires 12 monthly payments of \$1,250 per month. The lease renews automatically annually. Two year renewal assumed. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2023	\$ 46,485	\$ 621	\$ 47,106
2024	32,411	193	32,604
2025	919	19	938
2026	928	10	938
2027	472	1	473
	<u>\$ 81,215</u>	<u>\$ 844</u>	<u>\$ 82,059</u>

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

<u>Description</u>	<u>Balance at June 30, 2021</u>	<u>Issued</u>	<u>Payments</u>	<u>Balance at June 30, 2022</u>
Notes payable - 1.0%				
Maturing 12/31/2030	\$ 40,509	\$ -	\$ 9,118	\$ 31,391
Lease payable	119,297	4,801	42,883	81,215
Net pension liability	7,267,170	-	1,204,054	6,063,116
Net OPEB liability	2,287,248	-	467,104	1,820,144
	<u>\$ 9,714,224</u>	<u>\$ 4,801</u>	<u>\$ 1,723,159</u>	<u>\$ 7,995,866</u>

Net Pension Liability

The net pension liability is \$6,063,116 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2022. See Note 12 for more detailed information.

Net OPEB Liability

The net OPEB liability is \$1,820,144 and \$-0- for governmental activities and business-type activities, respectively, at June 30, 2022. See Note 13 for more detailed information.

(11) 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 \$1,897,687. The bank balance totaled \$1,928,648, of which \$250,000 was covered by Federal depository insurance, with the remainder covered by collateral.

(12) 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, 2022, employers were required to contribute 26.95% (21.17% - pension, 5.78% insurance) of the member's salary. During the year ending June 30, 2022, the District contributed \$475,558 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, 2022, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 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, 2021. At June 30, 2021, the District's proportion was 0.095096%.

For the year ended June 30, 2022, the District recognized pension expense of approximately \$513,000. At June 30, 2022, 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	\$ 69,623	\$ 58,847
Changes of assumptions	81,374	-
Net difference between projected and actual earnings on investments	-	808,111
Changes in proportion and differences between District contributions and proportionate share of contributions	62,478	36,952
District contributions subsequent to the measurement date	475,558	-
	<u>\$ 689,033</u>	<u>\$ 903,910</u>

The \$475,558 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, 2023.

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>	
2023	\$ (81,804)
2024	(174,830)
2025	(180,742)
2026	(253,059)
	<u>\$ (690,435)</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private US Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	<u>10.00%</u>	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>7.30%</u>

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

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

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

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 7,776,234	\$ 6,063,116	\$ 4,645,551

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, 2022, there was a total payable to CERS of \$-0-

(13) 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, 2022, CERS allocated 5.78% of the 26.95% 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, 2022, the District contributed \$117,259 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, 2022, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total OPEB liability as of June 30, 2021 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, 2021. At June 30, 2021, the District's proportion was 0.095074%.

For the year ended June 30, 2022, the District recognized OPEB expense of approximately \$209,000, including an implicit subsidy of \$53,817. At June 30, 2022, 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	\$ 286,218	\$ 543,435
Changes of assumptions	482,555	1,692
Net difference between projected and actual earnings on investments	-	284,737
Changes in proportion and differences between District contributions and proportionate share of contributions	7,994	83,973
District contributions subsequent to the measurement date	117,259	-
	<u>\$ 894,026</u>	<u>\$ 913,837</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$117,259 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, 2023.

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>	
2023	\$ 19,717
2024	(23,485)
2025	(21,337)
2026	(111,965)
	<u>\$ (137,070)</u>

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and

Post-65	gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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.

Assumption Changes - The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

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	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private US Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	<u>10.00%</u>	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>7.30%</u>

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

Discount rate - The discount rate used to measure the total OPEB liability was 5.20%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the Board's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20%, as well as what the Board's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	1% Decrease <u>(4.20%)</u>	Current discount rate <u>(5.20%)</u>	1% Increase <u>(6.20%)</u>
District's proportionate share of the net OPEB liability	\$ 2,499,044	\$ 1,820,144	\$ 1,262,994

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,310,287	\$ 1,820,144	\$ 2,435,549

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, 2022, there was a total payable to CERS of \$-0-.

(14) 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.

(15) 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.

(16) 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.

(17) 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).

(18) UNEARNED REVENUE

The June 30, 2022 unearned grant revenue includes revenues received, but not earned, as follows:

	<u>2022</u>
Kentucky Works Program	\$ 87,003
UMWA	210,185
ARC	51,920
AML	19,450
USCOE	121,739
Others	10,899
Total unearned revenue	<u>\$ 501,196</u>

(19) ECONOMIC UNCERTAINTIES

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

REQUIRED SUPPLEMENTARY INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 JUNE 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Pension:								
District's proportion of the net pension liability	0.095%	0.095%	0.094%	0.100%	0.103%	0.100%	0.107%	0.110%
District's proportionate share of the net pension liability	\$ 6,063,116	\$ 7,267,170	\$ 6,582,648	\$ 6,067,101	\$ 6,025,044	\$ 4,913,246	\$ 4,610,707	\$ 3,577,000
District's covered-employee payroll	\$ 2,423,277	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018	\$ 2,282,665	\$ 2,511,169	\$ 2,529,835
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	250.203%	299.431%	279.749%	245.582%	241.483%	215.242%	183.608%	141.393%
Plan fiduciary net position as a percentage of the total pension liability	57.330%	47.810%	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
OPEB:								
District's proportion of the OPEB liability	0.095%	0.095%	0.094%	0.100%	0.103%			
District's proportionate share of the OPEB liability	\$ 1,820,144	\$ 2,287,248	\$ 1,573,839	\$ 1,768,645	\$ 2,069,325			
District's covered-employee payroll	\$ 2,423,277	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the OPEB liability as a percentage of its covered-employee payroll	75.111%	94.242%	66.885%	71.590%	82.938%			
Plan fiduciary net position as a percentage of the total OPEB liability	61.910%	51.670%	60.400%	57.620%	52.400%			

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

BIG SANDY AREA DEVELOPMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pension:									
Contractually required contribution	\$ 475,558	\$ 467,715	\$ 468,432	\$ 381,665	\$ 357,751	\$ 348,055	\$ 283,507	\$ 320,174	\$ 347,524
Contributions in relation to the contractually required contribution	<u>475,558</u>	<u>467,715</u>	<u>468,432</u>	<u>381,665</u>	<u>357,751</u>	<u>348,055</u>	<u>283,507</u>	<u>320,174</u>	<u>347,524</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,246,377	\$ 2,423,277	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018	\$ 2,282,665	\$ 2,511,169	\$ 2,529,835
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
OPEB:									
Contractually required contribution	\$ 117,259	\$ 115,325	\$ 115,502	\$ 123,852	\$ 116,091	\$ 118,014			
Contributions in relation to the contractually required contribution	<u>117,259</u>	<u>115,325</u>	<u>115,502</u>	<u>123,852</u>	<u>116,091</u>	<u>118,014</u>			
Contribution deficiency (excess)	-	-	-	-	-	-			
District's covered-employee payroll	\$ 2,246,377	\$ 2,423,277	\$ 2,426,992	\$ 2,353,052	\$ 2,470,503	\$ 2,495,018			
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

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

BIG SANDY AREA DEVELOPMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

FOR THE YEAR ENDED JUNE 30, 2022

(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 2020.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2019, 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 for the year ending 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	30 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.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

BIG SANDY AREA DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
FOR THE YEAR ENDED JUNE 30, 2022

(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.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

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

CERS Insurance Fund

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation Date	June 30, 2020
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay

Remaining Amortization Period	30 Years, closed (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
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 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuations and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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	System-specific mortality table on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

CERS Insurance Fund

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2020, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

SUPPLEMENTAL INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF SHARED COSTS

JUNE 30, 2022

	<u>2022</u>	<u>2021</u>
INDIRECT EXPENDITURES:		
Salaries	\$ 345,457	\$ 340,655
Fringe benefits	212,062	204,044
Contractual	17,808	18,750
Educational Assistance	11,866	-
Travel	1,851	1,832
Space rental	-	2,100
Equipment	159	6,236
Telephone	42,658	41,858
Utilities	33,305	29,082
Maintenance	31,119	26,339
Supplies	1,942	2,349
Postage and printing	8,440	7,436
Other expense	1,133	2,615
Training	1,000	1,120
Depreciation	12,169	24,014
Dues and publications	8,125	9,886
Software fees	6,642	-
Insurance	58,144	59,570
Total	<u>\$ 793,880</u>	<u>\$ 777,886</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

**SCHEDULE OF REVENUES AND EXPENSES
JOINT FUNDING ADMINISTRATION PROGRAM**

FOR THE YEAR ENDED JUNE 30, 2022

	Community Development Block Grant	ARC Planning and Assistance	Economic Development Administration	JFA Administration	Totals
REVENUES					
Federal grant	\$ 3,979	\$ 42,820	\$ 48,122	\$ -	\$ 94,921
State grant	9,438	82,830	16,667	-	108,935
State unmatched	-	839	-	-	839
Local funds applied	-	-	-	-	-
In-kind	-	-	-	-	-
Total revenues	<u>13,417</u>	<u>126,489</u>	<u>64,789</u>	<u>-</u>	<u>204,695</u>
EXPENSES					
Direct expenses:					
Salaries	6,629	60,054	31,454	-	98,137
Fringe benefits	4,034	34,422	19,149	-	57,605
Space rent	-	-	-	-	-
Travel	-	3,209	813	-	4,022
Equipment	-	399	-	-	399
Training	-	2,030	35	-	2,065
Supplies	-	486	39	-	525
Other	-	405	-	-	405
Postage and printing	20	1,266	328	-	1,614
Total direct expenses	<u>10,683</u>	<u>102,271</u>	<u>51,818</u>	<u>-</u>	<u>164,772</u>
Indirect Expenditures	<u>2,734</u>	<u>24,218</u>	<u>12,971</u>	<u>-</u>	<u>39,923</u>
Total expenses	<u>13,417</u>	<u>126,489</u>	<u>64,789</u>	<u>-</u>	<u>204,695</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, 2022

	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	\$ 6,298	\$ 24,531	\$ 22,665	\$ 2,347	\$ 55,839	\$ 78,252	\$ 19,442	\$ 255,461	\$ 351,684	\$ 18,565	\$ 39,797	\$ 14,243	\$ 833,283
State grant	28,791	4,791	7,145	12,722	53,449	208,202	3,300	10,000	23,009	-	90,852	1,132	389,944
Local	-	-	-	-	-	156,513	-	182,002	46,431	-	-	-	384,946
Program income	-	-	-	-	-	346	-	52,551	880,680	-	-	-	933,577
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-
Local income applied	-	1,241	1,187	3,495	5,923	2,222	389	-	-	398	24,182	263	33,377
Total revenues	35,089	30,563	30,995	18,564	115,211	445,535	23,131	500,014	1,301,804	18,963	154,831	15,638	2,575,127
EXPENSES:													
Direct expenses:													
Salaries	15,922	14,414	14,444	8,323	53,103	15,562	9,261	11,425	16,321	-	45,800	6,261	157,733
Fringe benefits	9,694	8,775	8,794	5,067	32,330	9,474	5,638	6,955	9,936	-	27,883	3,812	96,028
Contracts	-	-	-	-	-	414,045	-	473,515	1,268,364	18,565	60,868	-	2,235,357
Space rent	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	503	30	-	22	555	36	631	-	-	-	91	426	1,739
Equipment	-	-	-	-	-	-	-	-	-	-	299	-	299
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
Training	-	-	-	-	-	-	-	-	-	-	300	-	300
Supplies	72	-	-	27	99	-	1,162	-	-	398	25	786	2,470
Other	2,000	1,400	1,800	1,693	6,893	-	2,571	-	-	-	-	1,738	11,202
Postage and printing	318	-	-	-	318	-	49	-	-	-	677	33	1,077
Dues and fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	28,509	24,619	25,038	15,132	93,298	439,117	19,312	491,895	1,294,621	18,963	135,943	13,056	2,506,205
Indirect Expenditures	6,566	5,944	5,957	3,432	21,899	6,418	3,819	4,711	6,731	-	18,888	2,582	65,048
Total expenses	35,075	30,563	30,995	18,564	115,197	445,535	23,131	496,606	1,301,352	18,963	154,831	15,638	2,571,253
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ 14	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ -	\$ 3,408	\$ 452	\$ -	\$ -	\$ -	\$ 3,874

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022

	Homecare Administration	Homecare	VII Ombudsman	SLTCO	NSJP	SHIP	Medicaid ADRC	FAST	MIPPA AAA	MIPPA SHIP	MIPPA ADRC	Total HC & Other	Area Agency on Aging Totals
REVENUES													
Federal grant	\$ -	\$ -	\$ 3,167	\$ -	\$ 137,906	\$ 25,452	\$ 26,819	\$ 1,000	\$ 3,838	\$ 6,914	\$ 1,597	\$ 206,693	\$ 1,039,976
State grant	60,626	545,638	538	26,495	-	-	10,800	-	-	-	-	644,097	1,034,041
Local	-	-	-	-	-	-	-	-	-	-	-	-	384,946
Program income	-	4,776	-	-	-	-	-	-	-	-	-	4,776	938,353
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-
Local income applied	8,135	23,431	63	453	-	727	104	75	-	7	1,387	34,382	67,759
Total revenues	<u>68,761</u>	<u>573,845</u>	<u>3,768</u>	<u>26,948</u>	<u>137,906</u>	<u>26,179</u>	<u>37,723</u>	<u>1,075</u>	<u>3,838</u>	<u>6,921</u>	<u>2,984</u>	<u>889,948</u>	<u>3,465,075</u>
EXPENSES													
Direct expenses:													
Salaries	32,783	258,837	1,509	10,789	-	12,103	21,513	-	1,897	3,408	1,186	344,025	501,758
Fringe benefits	19,958	157,582	918	6,568	-	7,369	6,023	-	1,155	2,075	105	201,753	297,781
Contracts	-	12,651	-	-	137,906	-	-	-	-	-	-	150,557	2,385,914
Space rent	-	8,638	-	-	-	-	-	-	-	-	-	8,638	8,638
Travel	393	25,776	103	735	-	-	-	-	-	-	-	27,007	28,746
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	299
Telephone	-	10	-	-	-	-	-	-	-	-	-	10	10
Training	-	142	-	-	-	-	-	-	-	-	-	142	442
Supplies	-	2,128	189	1,354	-	5	85	1,075	-	33	33	4,902	7,372
Other	1,550	385	419	2,996	-	-	60	-	-	-	-	5,410	16,612
Postage and printing	558	953	8	57	-	1,711	83	-	-	-	1,329	4,699	5,776
Dues and fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term training	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	<u>55,242</u>	<u>467,102</u>	<u>3,146</u>	<u>22,499</u>	<u>137,906</u>	<u>21,188</u>	<u>27,764</u>	<u>1,075</u>	<u>3,052</u>	<u>5,516</u>	<u>2,653</u>	<u>747,143</u>	<u>3,253,348</u>
Indirect expenditures	<u>13,519</u>	<u>106,743</u>	<u>622</u>	<u>4,449</u>	<u>-</u>	<u>4,991</u>	<u>7,058</u>	<u>-</u>	<u>783</u>	<u>1,405</u>	<u>331</u>	<u>139,901</u>	<u>204,949</u>
Total expenses	<u>68,761</u>	<u>573,845</u>	<u>3,768</u>	<u>26,948</u>	<u>137,906</u>	<u>26,179</u>	<u>34,822</u>	<u>1,075</u>	<u>3,835</u>	<u>6,921</u>	<u>2,984</u>	<u>887,044</u>	<u>3,458,297</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES													
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,901</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,904</u>	<u>\$ 6,778</u>

BIG SANDY AREA DEVELOPMENT DISTRICT

SCHEDULE OF OTHER GRANTS

FOR THE YEAR ENDED JUNE 30, 2022

	AML	FEMA	EDA	PDS	UMWA	SENIOR GAMES	GIS	Transportation Planning	Project Department	Comm. Collaborative for Children	TANF Kentucky Works	Totals
REVENUES												
Federal grant	\$ 1,799,009	\$ 48,785	\$ 48,070	\$ -	\$ -	\$ -	\$ -	\$ 7,747	\$ 70,297	\$ 97,661	\$ 1,852,158	\$ 3,923,727
State grant	-	-	-	1,037,204	-	-	50,000	67,158	-	-	-	1,154,362
Local	7,552	-	-	-	-	208	-	-	-	-	-	7,760
Other	-	-	-	303	184,874	3,460	-	-	-	-	-	188,637
Contract income	-	-	-	3,352	-	-	-	-	37,500	-	-	40,852
Interest income	4	-	-	-	-	-	-	-	-	-	-	4
Local funds applied	7,784	-	161	(202,052)	-	959	8,342	5,340	-	25,693	-	(153,773)
Total revenues	<u>1,814,349</u>	<u>48,785</u>	<u>48,231</u>	<u>838,807</u>	<u>184,874</u>	<u>4,627</u>	<u>58,342</u>	<u>80,245</u>	<u>107,797</u>	<u>123,354</u>	<u>1,852,158</u>	<u>5,161,569</u>
EXPENSES												
Direct expenses:												
Salaries	7,940	22,035	15,243	309,608	91,205	-	24,569	37,177	15,533	50,126	760,232	1,333,668
Fringe benefits	4,394	13,415	9,280	188,491	55,527	-	14,958	22,633	6,050	30,517	462,835	808,100
Contracts	1,797,380	-	-	14,553	-	-	-	-	41	11,165	80,279	1,903,418
Space rent	-	-	-	-	-	-	-	-	-	-	75,496	75,496
Travel	80	248	8,930	936	108	25	549	2,067	284	2,504	50,238	65,969
Equipment	-	-	1,790	5,256	-	-	2,120	-	-	799	10,781	20,746
Telephone	-	-	-	51	-	-	-	-	-	-	24,607	24,658
Training	-	100	5,537	697	-	-	397	1,336	-	720	-	8,787
Supplies	-	-	171	3,641	-	3,201	184	107	44	3,300	4,401	15,049
Other	784	2,896	889	2,290	420	1,401	4,350	621	598	2,776	676	17,701
Postage and printing	235	754	105	9,693	2	-	1,058	972	549	775	2,144	16,287
Dues and fees	-	250	-	4,390	-	-	25	-	-	-	-	4,665
Short term training	-	-	-	-	-	-	-	-	-	-	6,528	6,528
Wage subsidy	-	-	-	-	-	-	-	-	-	-	13,595	13,595
Transportation	-	-	-	-	-	-	-	-	-	-	46,832	46,832
Total direct expenses	<u>1,810,813</u>	<u>39,698</u>	<u>41,945</u>	<u>539,606</u>	<u>147,262</u>	<u>4,627</u>	<u>48,210</u>	<u>64,913</u>	<u>23,099</u>	<u>102,682</u>	<u>1,538,644</u>	<u>4,361,499</u>
Indirect Expenditures	<u>3,161</u>	<u>9,087</u>	<u>6,286</u>	<u>127,680</u>	<u>37,612</u>	<u>-</u>	<u>10,132</u>	<u>15,332</u>	<u>5,532</u>	<u>20,672</u>	<u>313,514</u>	<u>549,008</u>
Total expenses	<u>1,813,974</u>	<u>48,785</u>	<u>48,231</u>	<u>667,286</u>	<u>184,874</u>	<u>4,627</u>	<u>58,342</u>	<u>80,245</u>	<u>28,631</u>	<u>123,354</u>	<u>1,852,158</u>	<u>4,910,507</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,062</u>

BIG SANDY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES
FOR THE YEAR ENDED JUNE 30, 2022

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	Total Grant Funds	Admin- istrative Expense	Local Operations	Totals
REVENUES							
Federal grant	\$ 94,921	\$1,039,976	\$ 3,923,727	\$ 5,058,624	\$ -	\$ -	\$ 5,058,624
State grant	109,774	1,034,041	1,154,362	2,298,177	-	-	2,298,177
Local	-	384,946	7,760	392,706	-	-	392,706
Program income	-	938,353	-	938,353	-	-	938,353
In-kind	-	-	-	-	-	-	-
Other income	-	-	188,637	188,637	-	50,653	239,290
Contract income	-	-	40,852	40,852	-	-	40,852
Interest income	-	-	4	4	-	865	869
Local funds applied	-	67,759	(153,773)	(86,014)	-	86,014	-
Total revenues	<u>204,695</u>	<u>3,465,075</u>	<u>5,161,569</u>	<u>8,831,339</u>	<u>-</u>	<u>137,532</u>	<u>8,968,871</u>
							(1,101)
EXPENSES							
Direct expenses:							
Salaries	98,137	501,758	1,333,668	1,933,563	345,457	-	2,279,020
Fringe benefits	57,605	297,781	808,100	1,163,486	223,928	-	1,387,414
Contracts	-	2,385,914	1,903,418	4,289,332	17,808	-	4,307,140
Space rent	-	8,638	75,496	84,134	-	-	84,134
Travel	4,022	28,746	65,969	98,737	1,851	2,115	102,703
Equipment	399	299	20,746	21,444	159	-	21,603
Telephone	-	10	24,658	24,668	42,658	-	67,326
Training	2,065	442	8,787	11,294	1,000	-	12,294
Supplies	525	7,372	15,049	22,946	1,942	-	24,888
Other	405	16,612	17,701	34,718	123,701	29,256	187,675
Postage and printing	1,614	5,776	16,287	23,677	8,440	-	32,117
Dues and fees	-	-	4,665	4,665	14,767	20	19,452
Short term training	-	-	6,528	6,528	-	-	6,528
Wage subsidy	-	-	13,595	13,595	-	-	13,595
Transportation	-	-	46,832	46,832	-	-	46,832
Depreciation	-	-	-	-	12,169	33,759	45,928
Pension and OPEB adjustment	-	-	-	-	-	74,319	74,319
Total direct expenses	<u>164,772</u>	<u>3,253,348</u>	<u>4,361,499</u>	<u>7,779,619</u>	<u>793,880</u>	<u>139,469</u>	<u>8,712,968</u>
Indirect expenditures	<u>39,923</u>	<u>204,949</u>	<u>549,008</u>	<u>793,880</u>	<u>(793,880)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>204,695</u>	<u>3,458,297</u>	<u>4,910,507</u>	<u>8,573,499</u>	<u>-</u>	<u>139,469</u>	<u>8,712,968</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES							
	<u>-</u>	<u>6,778</u>	<u>251,062</u>	<u>257,840</u>	<u>-</u>	<u>(1,937)</u>	<u>255,903</u>
TRANSFER TO (FROM)							
	<u>-</u>	<u>-</u>	<u>(7,233)</u>	<u>(7,233)</u>	<u>-</u>	<u>7,233</u>	<u>-</u>
NET CHANGE IN FUND BALANCE							
	<u>\$ -</u>	<u>\$ 6,778</u>	<u>\$ 243,829</u>	<u>\$ 250,607</u>	<u>\$ -</u>	<u>\$ 5,296</u>	<u>\$ 255,903</u>

Reconciliation to Governmental Funds:	
Total expenditures per above	\$ 8,712,968
Capital outlay	13,140
Depreciation expense	(45,928)
Debt payments	9,118
Net lease adjustments	(1,414)
Net pension and OPEB adjustment	(74,319)
Total expenditures per Governmental Funds	<u>\$ 8,613,565</u>

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Economic Development Administration</u>				
Passed through Kentucky Department of Local Government -				
JFA - Community and Economic Assistance	11.302	PON2 2100003350 1	\$ -	\$ 48,122
CARES Act Recovery Assistance	11.307	PON2 2100000392 1	-	48,070
Total Economic Development Cluster			-	96,192
<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 2100002005 4	73,191	73,191
Title III-B - Ombudsman	93.044	PON2 725 2100002005 4	-	19,442
Title III-C1 - Nutrition Program	93.045	PON2 725 2100002005 4	70,916	70,916
Title III-C2 - Nutrition Program	93.045	PON2 725 2100002005 4	91,717	91,717
Title III-C2 - Nutrition Program - COVID-19	93.045	PON2 725 2100002005 4	3,159	3,159
Nutrition Services Incentive Program	93.053	PON2 725 2100003024 2	137,906	137,906
Total Aging Cluster			376,889	396,331
Title III-E - Family Caregiver	93.052	PON2 725 2100002005 4	-	42,144
Title III-D - Aging Program Preventive Health	93.043	PON2 725 2100002005 4	18,565	18,565
Title VII - Elder Abuse Prevention	93.041	PON 2 725 2100001810 4	-	3,167
Title VII - Ombudsman	93.042	PON 2 725 2100001810 4	-	4,045
Title VII - Ombudsman COVID - 19	93.042	PON 2 725 2100001810 4	-	10,199
CMS - SHIP	93.779	PON2 725 20000003467	-	25,452
ACA - MIPPA	93.071	PON2 725 2100003015 2	-	12,350
Functional Assessment Service Teams	93.069	PON2 725 2000002444 1	-	1,000
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 2000004400 5	-	10,800
Aging and Disability Resource Center NWD	93.048	PON2 725 20000004400 5	-	16,019
Community Based Child Abuse Prevention	93.590	PON2 736 2000002665 3	-	97,661
Temporary Assistance to Needy Families (KY Works)	93.558	PON2 736 2000001574 2	80,213	1,614,032 *
Passed through Mountain Comprehensive Care KY Disaster Response Grant	93.982	FY 22	-	2,000
Passed through Floyd County Health Department SPAN program	93.439	FY 22	-	10,000
Total Department of Health and Human Services			475,667	2,263,765
<u>U.S. Department of Treasury</u>				
Passed Through the Kentucky Cabinet for Health and Family Services -				
Title III-B - Supportive Services - ARPA	21.027	PON2 725 2100002005 4	11,359	11,359
Title III - CI Nutrition Program - ARPA	21.027	PON2 725 2100002005 4	168,046	209,076
Title III - C2 Nutrition Program - ARPA	21.027	PON2 725 2100002005 4	246,654	279,471
Passed through Magoffin County Fiscal Court American Rescue	21.027	FY 22	-	20,500
Total U.S. Department of Treasury			426,059	520,406

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, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>Appalachian Regional Commission</u>				
Direct -				
JFA-ARC Planning	23.009	KY-702-E-C55-22	-	42,820
Passed through Martin County Water District				
Appalachian Area Development	23.002	FY 22	-	12,655
Passed through Southern Water & Sewer				
Appalachian Area Development	23.002	FY 22	-	2,000
Passed through Salyersville Water Works				
Appalachian Area Development	23.002	FY 22	-	12,500
Passed through Floyd Co Fiscal Court				
Appalachian Area Development	23.002	FY 22	-	5,642
Total Appalachian Regional Commission			-	<u>75,617</u>
<u>U. S. Department of Housing & Urban Development</u>				
Passed Through the Kentucky				
Department of Local Government -				
Community Development Block Grants	14.228	PON2 2100003350 1	-	3,979
Passed Through WR Castle Fire Department				
Community Development Block Grants	14.228	FY 22	-	5,000
Total US Department of Housing & Urban Development			-	<u>8,979</u>
<u>US Department of Agriculture</u>				
Passed through the Kentucky Cabinet for Health & Family Services -				
Supplmental Nutrition Assistance Program	10.561	PON2 736 2000001574 2	-	239,003
Total US Department of Agriculture			-	<u>239,003</u>
<u>US Department of Homeland Security</u>				
Passed through the City of Prestonsburg -				
Hazard Mitigation	97.039	PON 2 095 20000001514 1	-	48,784
Total US Department of Homeland Security			-	<u>48,784</u>
<u>U.S. Department of Interior Office of Surface Mining Reclamation & Enforcement</u>				
Abandoned Mine Land Reclamation - eK AMI Prison	15.252	SC 128 2000000585 1	-	3,437
Abandoned Mine Land Reclamation - RTT	15.252	SC 128 1700002616 2	-	66,552
Abandoned Mine Land Reclamation - MCW	15.252	SC 128 1900000095 1	-	1,289,515
Abandoned Mine Land Reclamation - MCW WSI	15.252	SC 128 2000000468 1	-	4,375
Abandoned Mine Land Reclamation - Paintsville Sewer	15.252	SC 128 2000001672 1	-	106,036
Abandoned Mine Land - BSRIDA ILZ	15.252	2022	-	1,783
Abandoned Mine Land - BSRIDA Pinnacle Park	15.252	2022	-	1,783
Total U.S. Department of Interior			-	<u>1,473,481</u>
Total Expenditures of Federal Awards			\$	<u>901,726</u> \$ <u>4,726,227</u>

* Denotes a major program.

The accompanying notes are an integral part of this schedule.

BIG SANDY AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

(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, 2022. 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, 2022, 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 25, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 Ballouay Smith Goolsby, PSC

Ashland, Kentucky

October 25, 2022



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 Program

Opinion on Each Major Federal Program

We have audited Big Sandy Area Development District's (the "District") compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Hoobly, PSC

Ashland, Kentucky
October 25, 2022

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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: Assistance Listing No.

Abandoned Mine Land Reclamation 93.558

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

Auditee qualified as low risk auditee? X Yes _____ No

BIG SANDY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

There were no findings in the prior year.