BIG SANDY AREA DEVELOPMENT DISTRICT, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

PREPARED BY:

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

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Big Sandy Area Development District, Inc. as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Big Sandy Area Development District, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Big Sandy Area Development District, Inc. as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Sandy Area Development District, Inc.'s basic financial statements. The individually presented programs in the supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of the Big Sandy Area Development District, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Sandy Area Development District, Inc.'s internal control over financial reporting and compliance.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
January 21, 2014

The following comments are provided as an overview of the financial activities for the year ended June 30, 2013 and to assist the reader in assessment of the financial condition of the Big Sandy Area Development District, Inc. (BSADD) as of June 30, 2013. Please assess these comments in conjunction with the following financial statements and the Independent Auditors' Report.

Basic Financial Statements

The basic financial statements, which are presented in the required format, according to GASB 35, for the fiscal year ended June 30, 2013, include both government-wide financial statements and fund financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 1-3), and they provide information about the activities of the BSADD as a whole and present the longer-term view of BSADD's finances. The fund financial statements (beginning on page 4) focus on governmental activities and how various services were financed in the short-term as well as the balance remaining for future spending. Fund financial statements also report BSADD operations in more detail than the government-wide statements by providing information about BSADD's most significant funds.

Government-Wide Financial Statements

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

The following summary is based on the fund financial statements:

Financial Highlights:

- Unrestricted Fund Balance decreased by 12.3% to $1,131,381. Restricted Fund Balance decreased 2.3% to $418,685.
- Including bad debt expense the District had $176,122 of expenses in excess of revenues.
- Net Surplus / deficit for each division were as follows:

    1. TANF (KY Works Program) had a surplus of $5,215.
    2. Projects / GIS had a surplus of $25,129.
    3. Dept. 400, which captures rental and other income and provides other programs with local cash, had a deficit of $60,826.
    4. K-Start had a surplus of $854.
    5. JFA broke even.
    6. Aging Division (including CCFC) had a deficit of $137,519.
    7. All other departments combined to break even.

    THE COMBINED DIVISIONS AND DEPARTMENTS ABOVE ACCOUNT FOR THE OPERATING DEFICIT OF $166,177.

    8. RLF programs (Restricted Funds) had a combined deficit of $9,945.

- Total revenues increased from 7.42 million in 2012 to 7.51 million in 2013.
- Total expenses increased from 7.40 million in 2012 to 7.69 million in 2013.
- Final budgeted surplus was $157,412. The District ended the year with an operating deficit of $176,122.

Continuing operations resulted in a surplus of $65,720. However, unbudgeted bad debt expense totaled $241,843. Management is confident this bad debt write off is a unique, one-time occurrence. Past due receivables were evaluated and the likelihood of collecting was very low. The receivables were from multiple years and sources; however the majority was old debt from startup costs of the Consumer Directed Options program.

Common size revenue and expense per program:

	Revenues	Expenses
Aging	46.76%	47.56%
CCFC	2.37%	2.31%
Housing	0.33%	0.31%
FEMA DCM	1.59%	1.55%
JFA	3.84%	3.75%
K-START	0.11%	0.10%
KY Works	40.00%	38.97%
Local/Other	0.48%	1.26%
Projects/GIS	3.41%	2.99%
Transportation	0.95%	0.92%
Pike Co Water tap/ED Revolving Loan	0.15%	0.27%
	100.00%	**100.00%**

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

Assets – Total assets as of June 30, 2013 were $2,993,985 compared to $3,283,896 at the end of 2012. Of the $289,911 net decrease current assets decreased $222,265, capital assets decreased $41,528 and long-term assets decreased $26,118 to $147,859 as of June 30, 2013. Current assets decreased due to bad debt write-off. Capital assets decreased due to depreciation. Long term assets decreased due to receipt of outstanding RLF loans.

Liabilities – Current liabilities decreased $76,630 from $771,223 at the close of FY 12 to $694,593 as of June 30, 2013. Long-term liabilities decreased $49,550 from $335,923 in FY 12 to $286,373 as of June 30, 2013. The decrease in current liabilities was due to aggressively paying down payables. The decrease in long-term liabilities was due to paying down notes and capital lease payables.

Net Assets – Net Assets equaled $2,013,019 at the close FY 13 compared to $2,176,750 at the close of FY 12.
Unrestricted general net assets totaled $1,097,466, restricted RLF net assets totaled $418,684, and net capital assets totaled $496,869.

Year End Financial Position
Unrestricted net assets represent 36.7% of total liabilities and net assets. Having this unrestricted amount allows for better cash flow, less interest expense, and the ability to absorb cuts by federal and state programs.

Capital Asset Activity
Depreciation of $54,658 reduced capital assets. The District increased capital assets by $12,848 with the purchase of a new server for the computer network.

Long Term Debt Activity
The District has a capital lease for the building which it presently occupies. During the year the principal amount was reduced by $45,000. Outstanding principal at year end was $266,000.
The ADD stands as a pass-through agent for loans to Mountain Housing Corporation from Kentucky Housing Corporation. The ending balance of these loans was $119,775, a decrease of from $11,554 from FY 2012.

Budget Amendments/Variances
The budget was amended during the year.

Several items had significant budget variances.

Local cash revenue and other income revenue were lower than expected due to its use to match and supplement other programs. Contract income was lower than anticipated due to most of it being recognized as federal and state funds. Interest income for the RLF programs is not budgeted for, and therefore was higher than expected. Telephone expense was higher than expected due to increase in rates by the provider for the area.
Kentucky Works and Community Collaboration for Children revenues and related expenses were lower than expected in several categories (travel, supplies, space, short term training, wage subsidy, and transportation) due to the need based nature of the programs. Total revenues, total direct expenditures, and total indirect costs for the ADD as a whole were all within 10% of the final budget.

Conditions that affect FY 2014

For fiscal year 2014, major grant contracts are projected to remain stable in respect to internal costs. Funding for the program in regards to internal operating costs remain essentially the same. Management expects to see continued growth in the Consumer Directed Options program. The related income will have a positive effect on the ADD as a whole.

One major concern is the decline of the coal industry and the severance tax it provides. Coal plays a vital part in the region's economy. The decrease in mining has led to reduced funding for infrastructure and community projects in the area. Forecasted increases in costs for employee benefits are also a concern. Increasing costs in all areas will have to be managed accordingly.

Functional Area Descriptions

Aging Programs

The Area Agency on Aging operates as a part of a national network to develop and coordinate a comprehensive service delivery system to meet the needs of senior citizens in the Big Sandy District.

Title III –This program provides funding through contracts and to provide technical and administrative oversight to 17 senior citizens centers for the purpose of delivering Nutrition and Support services to seniors including congregate and home delivered meals, outreach, telephone reassurance, health promotion, recreation, escort, and other services. Title III is a federal program which has a portion of its funds matched with state dollars.

Homecare – This program provides home management, personal care, chore, escort, and respite services to homebound seniors. Homecare is a state funded program.

Adult Day Care – The ADD contracts with adult day centers for the delivery of respite for seniors including Alzheimer's clients. Adult Day Care is a state funded program.

Caregiver – This program provides information, referral, training, support groups, and other related services. Caregiver has two components which serve two different groups. One provides respite and is a federal program which receives state match. The other provides assistance to grandparents raising grandchildren and is a state funded program.

Ombudsman – The ADD employs a full-time Ombudsman that works with area nursing homes as an advocate for senior citizens. This program uses a combination of federal and state revenue streams.

Personal Care Attendant – The ADD contracts with the Center for Accessible Living to provide personal care attendants for reasons such as, recovery from surgery, disabilities, and other reasons. We currently serve the Big Sandy and Kentucky River districts. Personal Care Attendant is a state funded program.

Consumer Directed Options - Consumer Directed Options allows Medicaid members who require waiver services to purchase those services differently. CDO allows the Medicaid member to make choices in how some of their services are provided. CDO gives the member the power of choosing who will provide services, how services will be provided, when services will be provided, and where services will be provided. The ADD provides support broker and financial management services to the Big Sandy CDO clients.

FEMA Disaster Relief Case Management – The ADD administers a program providing case management services to help those affected by the March 2012 tornadoes. The focus of the program is to follow up with those affected and connect them with the proper resources to recover from the disaster. The program has provided assistance in the Big Sandy region counties of Johnson, Magoffin, and Martin. The program also provides assistance in 18 additional counties beyond the Big Sandy region. FEMA DCM is a federally funded program, passed through the Kentucky Department of Aging and Independent Living.

Community Collaboration For Children – The ADD provides services to support community-based efforts at the prevention of child abuse and neglect. We facilitate a regional network, regional coordinator, fatherhood & faith-based services, in-home based services, and family team meetings within the district. CCFC is a federally funded program.

Kentucky Works – This program provides services that assist recipients of K-TAP to attain meaningful employment and self-sufficiency. KWP has employment specialists that work in 56 counties across the eastern and central regions of Kentucky. Services administered include short-term skills training, job readiness assistance classes, and transportation assistance to clients. Wage subsidy programs are provided to employers that work with the program as an incentive to hire clients, who gain valuable work experience. KWP is a federally funded program.

Transportation Planning and Safety – This program provides regional transportation planning including contributing to the State enacted six year plan, working with state and local transportation departments on issues like highway safety, access roads, bridges, and other vital transportation issues. The goal of our highway safety program is to reduce automobile related injuries and fatalities through educational programs and identification of hazardous areas. Transportation planning is a state funded program.

JFA Regional Coordination – The Economic Development Administration, the Appalachian Regional Commission, and the Department of Housing and Urban Development create the Joint Funding Administration. This funding provides the infrastructure for the ADD to be involved in the following areas: economic development, housing, regional databases, emergency management, planning councils, regional databases, Area Development Fund management, and District Board management. JFA is administered by Kentucky's Department for Local Government, which also provides matching state funds.

Projects/GIS –The projects department provides services to local governments and affiliated entities such as planning, research, coordination and oversight in infrastructure and community development. The GIS department provides road mapping services and water/wastewater planning and mapping services for local and state agencies.

Housing –Mountain Housing Corporation looks to the ADD to manage its operations to originate loan interest rate mortgages that are guaranteed by FHA, VA, and RHS, build single and multifamily housing, and administer housing projects.

Revolving Loan Fund Programs – The ADD administers two RLF programs. The economic development RLF program provides financing for businesses in the District in need of "gap" financing for the purpose of job creation and retention. The Pike County water tap RLF is for residents of Pike County to borrow funds for water tap fees. Pike County fiscal court has authorized the BSADD to make available part of the water tap RLF funds to be used for grants for water tap fees. This will permanently reduce the RLF fund balance.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET ASSETS
June 30, 2013

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 999,105.00
Accounts Receivable	820,198.00
Accounts Receivable - Other	460.00
Prepaid Expenses	111,767.00
Deposits	1,500.00
Loans Receivable - ED RLF, Current Portion	70,620.00
Loans Receivable - Water Tap RLF, Current Portion	4,125.00
TOTAL CURRENT ASSETS	2,007,775.00
CAPITAL ASSETS	
Land	41,000.00
Buildings	1,393,492.00
Equipment	380,596.00
Less Accumulated Depreciation	976,737.00
NET CAPITAL ASSETS	838,351.00
LONG-TERM ASSETS	
Loans Receivable - ED RLF, Less Current Portion	147,859.00
TOTAL LONG-TERM ASSETS	147,859.00
TOTAL ASSETS	$ 2,993,985.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET ASSETS
June 30, 2013

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	$ 468,944.00
Payroll Liabilities	13,724.00
Accrued Vacation, Current Portion	17,375.00
Notes Payable, KHC	119,775.00
Capital Leases Payable, Current Portion	61,358.00
Unearned Revenue	13,417.00
TOTAL CURRENT LIABILITIES	694,593.00
LONG-TERM LIABILITIES	
Accrued Vacation, Less Current Portion	81,731.00
Capital Leases Payable, Less Current Portion	204,642.00
TOTAL LONG-TERM LIABILITIES	286,373.00
TOTAL LIABILITIES	980,966.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	496,869.00
Restricted Net Assets	418,684.00
Unrestricted Net Assets	1,097,466.00
TOTAL NET ASSETS	2,013,019.00
TOTAL LIABILITIES AND NET ASSETS	$ 2,993,985.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Service	Program Revenues: Operating Grants & Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:					
Aging Programs	$ 3,463,537.00	$ 322,630.00	$ 12,411.00	$ 3,641,422.00	$ (132,334.00)
JFA Programs	236,153.00	49,994.00		286,951.00	804.00
Kentucky Works	2,655,985.00	324,370.00		2,990,783.00	10,428.00
Transportation Planning	59,120.00	11,490.00		70,795.00	185.00
Project Development/Other	222,666.00	37,293.00		287,511.00	27,552.00
Management Services	96,845.00	0.00		35,679.00	(61,166.00)
Comm Collaborative for Children	151,214.00	25,344.00		176,965.00	407.00
Revolving Loan Programs	20,967.00	0.00		135.00	(20,832.00)
Total Governmental Activities	$ 6,906,487.00	$ 771,121.00	$ 12,411.00	$ 7,490,241.00	(174,956.00)
General Revenues:					
Interest Income					11,227.00
Change in Net Assets					(163,729.00)
Net Assets, Beginning of Year					2,176,748.00
Net Assets, End of Year					$ 2,013,019.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
BALANCE SHEET
June 30, 2013

ASSETS	
Cash and Cash Equivalents	$ 999,105.00
Accounts Receivable	820,198.00
Accounts Receivable - Other	461.00
Prepaid Expenses	111,767.00
Deposits	1,500.00
Loans Receivable - ED RLF	218,479.00
Loans Receivable - Water Tap RLF	4,125.00
PROPERTY, PLANT AND EQUIPMENT, NET	109,396.00
TOTAL ASSETS	$ 2,265,031.00

LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	$ 468,944.00
Payroll Liabilities	13,724.00
Accrued Vacation	99,106.00
Unearned Revenues	13,417.00
Notes Payable-KHC	119,775.00
TOTAL LIABILITIES	714,966.00
FUND BALANCE	
Restricted Fund Balance	418,684.00
Unrestricted Fund Balance	1,131,381.00
TOTAL FUND BALANCE	1,550,065.00
TOTAL LIABILITIES AND FUND BALANCE	$ 2,265,031.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUND
June 30, 2013

Fund balance - governmental fund	$ 1,550,065.00
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of land, buildings, and equipment specifically charged to individual programs are not reported in the government funds, net of accumulated depreciation of $760,856	728,954.00
Capital leases are expensed as they are paid in the government funds	(266,000.00)
Net assets of governmental activities	$ 2,013,019.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

REVENUES		
Federal Funds	$ 4,303,843.00	
State Funds	2,567,796.00	
Local Cash	47,231.00	
In-kind Contributions	28,500.00	
Other Income	382,477.00	
Contract Income	141,920.00	
Local Funds Applied	18,474.00	
Program Income	12,411.00	
Interest Income	11,227.00	
TOTAL REVENUES		$ 7,513,879.00
EXPENDITURES		
Direct Cost		
Salaries	2,220,703.00	
Fringe Benefits	1,214,896.00	
Subcontractors	1,957,274.00	
Travel	240,259.00	
Supplies	33,822.00	
Telephone	39,968.00	
Training	21,677.00	
Space Rent	116,963.00	
Space Rent In-kind	28,500.00	
Equipment/Eq Lease	16,872.00	
Other Expense	92,186.00	
Bad Debt Expense	241,842.00	
Interest Expense	0.00	
Postage/Printing	29,298.00	
Short Term Training	224,708.00	
Wage Subsidy	348,660.00	
Transportation	78,859.00	
Total Direct Cost		6,906,487.00
Indirect Costs (Applied)		783,514.00
TOTAL EXPENDITURES		7,690,001.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES		(176,122.00)
FUND BALANCE - JULY 1, 2012		1,726,187.00
FUND BALANCE - JUNE 30, 2013		$ 1,550,065.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
For the Year Ended June 30, 2013

Net change in fund balance - governmental fund	$ (163,729.00)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital assets of equipment not benefiting the entire entity are specifically charged to the programs while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Additional depreciation expense	32,607.00
The repayment of capital lease principal is an expenditure of governmental funds but the repayment reduces long-term debt in the statement of net assets.	(45,000.00)
Change in net assets of governmental activities	$ (176,122.00)

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
For the Year Ended June 30, 2013

	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE OVER/(UNDER) FINAL BUDGET	%
REVENUES					
Federal & State Funds	6,871,639.00	6,913,649.00	7,268,687.00	(397,048.00)	0.05
Local Cash	47,231.00	138,000.00	193,342.00	(146,111.00)	0.76
In-kind Contributions	28,500.00	0.00	0.00	28,500.00	0.00
Other Income	382,477.00	639,397.00	739,753.00	(357,276.00)	0.48
Contract Income	141,920.00	7,899.00	10,000.00	131,920.00	(13.19)
Local Funds Applied	18,474.00	0.00	0.00	18,474.00	0.00
Program Income	12,411.00	0.00	0.00	12,411.00	0.00
Interest Income	11,227.00	0.00	4,000.00	7,227.00	(1.81)
TOTAL REVENUES	7,513,879.00	7,698,945.00	8,215,782.00	701,903.00	(0.09)
EXPENDITURES					
Direct Cost					
Salaries	2,220,703.00	2,212,029.00	2,204,274.00	16,429.00	(0.01)
Fringe Benefits	1,214,896.00	1,141,991.00	1,127,117.00	87,779.00	(0.08)
Subcontractors	1,957,274.00	1,555,792.00	2,071,431.00	(114,157.00)	0.06
Travel	240,259.00	250,339.00	268,560.00	(28,301.00)	0.11
Supplies	33,822.00	64,000.00	60,568.00	(26,746.00)	0.44
Telephone	39,968.00	37,547.00	35,747.00	4,221.00	(0.12)
Training	21,677.00	29,477.00	23,119.00	(1,442.00)	0.06
Space Rent	116,963.00	87,975.00	86,475.00	30,488.00	(0.35)
Space Rent In-kind	28,500.00	0.00	0.00	28,500.00	0.00
Equipment/Eq Lease	16,872.00	32,850.00	33,940.00	(17,068.00)	0.50
Other Expense	92,186.00	86,683.00	78,626.00	13,560.00	(0.17)
Bad Debt Expense	241,842.00	0.00	0.00	241,842.00	0.00
Interest Expense	0.00	0.00	0.00	0.00	0.00
Postage/Printing	29,298.00	20,877.00	19,212.00	10,086.00	(0.52)
Short Term Training	224,708.00	350,000.00	350,000.00	(125,292.00)	0.36
Wage Subsidy	348,660.00	730,000.00	730,000.00	(381,340.00)	0.52
Transportation	78,859.00	110,000.00	110,000.00	(31,141.00)	0.28
Total Direct Cost	6,906,487.00	6,709,560.00	7,199,069.00	(292,582.00)	0.04
Indirect Costs (Applied)	783,514.00	821,389.00	859,301.00	(75,787.00)	0.09
TOTAL EXPENDITURES	7,690,001.00	7,530,949.00	8,058,370.00	(368,369.00)	0.05
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	(176,122.00)	167,996.00	157,412.00	(333,534.00)	2.12

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

A. REPORTING ENTITY

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

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

B. BASIC FINANCIAL STATEMENTS–GOVERNMENT-WIDE STATEMENTS

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

E. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

F. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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

2. Capital Assets:

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

Depreciation on all assets is provided on the straight-line basis of the following estimated useful lives:

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

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

3. **Compensated Absences/Accumulated Vacation**:

The BSADD allows full time permanent employees to accumulate vacation leave at a rate of 7.5 hours per month for the first year of employment; 8.5 hours for 2-5 years of employment; and then 10 hours after 5 completed years. Upon termination, the BSADD pays to employees who have been employed twelve months or longer, a maximum of twenty days of accumulated vacation. As of June 30, 2013, the liability for accrued vacation is a total of $99,106. This is broken down into two categories: the amount of $17,375 which would be expected to be paid out in the upcoming year is recorded as a current liability and $81,731 which represents the non-current portion or the amount estimated to be used in subsequent fiscal years is recorded as a long-term debt.

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

4. **Long-Term Liabilities**:

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

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

5. **Equity Classifications**:

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

a. **Invested in capital assets, net of related debt** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes that are attributable to the acquisition, construction, or improvement of those assets.

b. **Restricted net assets** consists of net assets with constraints placed on the use either by:
   i. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
   ii. law through constitutional provisions or enabling legislation.

c. **Unrestricted net assets** consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

6. **Revenues and Expenditures**:

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

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

G. INCOME TAX STATUS

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

NOTE 2 – CASH

Cash includes cash on hand and cash in checking accounts. Separate accounts are maintained for general operations and each of the revolving loan funds. The operating account had a balance of $802,015 as of June 30, 2013 at Citizens National Bank of Paintsville. Collateral consisting of Federal Home Loan Mortgage Corporation securities with a par value of $551,341 and a market

value of $543,240, Bowling Green, KY water and sewer bonds with a par value of $340,000 and a market value of $329,501, Allen County, Kentucky Revenue Bonds with a par value of $25,000 and market value of $25,554, Federal National Mortgage Association (FNMA) Pool with a par value of $447,572 and a market value of $451,627, Leitchfield, KY municipal bonds with a par value of $60,000 and a market value of $53,792, Northern Kentucky University Revenue Bonds with a par value of $25,000 and market value of $25,236, Perry County, KY School District Bonds with a par value of $100,000 and a market value of $93,771, and Johnson County KY School District Bonds with a par value of $45,000 and market value of $47,079 for a total pledged assets of $1,569,799 market value has been pledged by Citizens National Bank to cover the cash in excess of the $250,000 guaranteed by the Federal Deposit Insurance Corporation (F.D.I.C.) for all of the BSADD's accounts in that financial institution.

The Revolving Loan Fund (Economic Development) had a cash balance of $196,416, $133,938 of which has been sequestered according to the requirements of the Economic Development Administration because of the account holding excess funds for two or more consecutive reporting periods, and the Water Tap Revolving Loan Fund had a cash balance of $675. All of these balances were collateralized either by the above pledged securities or the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable consist of the following categories:	
Contract Payments Receivable	564,224.00
Consumer Directed Options (CDO)	105,199.00
Local Assessments	6,000.00
Mountain Housing Corporation – KHC loans	144,775.00
Total Accounts Receivable	820,198.00

The BSADD has evaluated the accounts receivable balances for the various accounts as to collectibility. In the past, several cities and counties in the Big Sandy area have not paid their local assessments which are used to help meet the needs of the BSADD for providing services to the local five county region. Therefore, the BSADD has established a policy of charging a fee for services for those cities or counties who have not paid their local assessment and the BSADD wrote off the prior uncollectible balance several years ago. Amounts began accumulating again for cities who said they would pay the $1,500 per year assessment so BSADD wrote off balances during FY 2013 for these cities which dated as far back as 2006 in the amount of $10,500. The BSADD uses the direct write-off method to account for bad debts in the accounts receivable. During FY 2013, the BSADD wrote off an additional $77,889 in general bad debts for a total of $88,389. The Consumer Directed Options (CDO) program began in FY 2010 with very little guidance as to how the program should be run. Over the years, some amounts incurred were not collected, either due to unallowable costs or failure to follow up with rejected costs. Therefore, the BSADD wrote off uncollectable amounts in the CDO program in the amount of $153,453. As of June 30, 2013, all remaining receivables are expected to be collected. Therefore, no allowance for estimated uncollectible accounts receivable has been recorded.

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

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

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

As of June 30, 2013, the fund had the following outstanding notes receivable:

Note receivable from Dr. Angela Maggard, payable in 84 monthly installments of $1,367.10 including 4% interest, beginning July 26, 2003	13,068.00
Note receivable from Manchester, Inc. payable in 60 monthly installments of $1,968.78 including 6.75% interest, beginning July 22, 2007	1,958.00
Note receivable from Advanced Chiropractic Center, payable in 84 monthly installments of $683.44 including 4% interest, beginning January 1, 2009	19,482.00
Note receivable from Pig in a Poke II payable in 84 monthly installments of $740.50 including 4.5% interest, beginning February 16, 2009	24,498.00
Note receivable from Pig in a Poke III payable in 84 monthly installments of $981.44 including 4.75% interest, beginning March 28, 2011	56,148.00
Note receivable from Lizzie B's Cafe payable in 60 monthly installments of $469.03 including 4.75% interest, beginning June 30, 2011	15,301.00
Note receivable from Lizzie B's Cafe II payable in 60 monthly installments of $562.80 including 4.75% interest, beginning April 12, 2012	23,155.00
Note receivable from Lucky's Quick Stop payable in 60 monthly installments of $468.99 including 4.75% interest, beginning June 22, 2012	20,076.00

Note receivable from Saving Grace, LLC payable in 36 monthly installments of $1,498.54 including 4.75% interest, beginning March 4, 2013	44,793.00
Total Notes Receivable	218,479.00
Less Current Portion	(70,620.00)
Long-term Notes Receivable	147,859.00

NOTE 5 – NOTES RECEIVABLE – WATER TAP REVOLVING LOAN FUNDS

The BSADD received $50,000 from the Pike County Fiscal Court in FY 2001 to facilitate the payment of water tap fees for Pike County citizens in need of water. The loans were available to any Pike County resident and covered the initial water tap fee and the permit fee. Loans are paid back over two years at a fixed 3% interest. The balance of the Water Tap loans as of June 30, 2013 is $4,125.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2013 as reflected on the statement of net assets.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	41,000	-	-	41,000
Other capital assets:				
Vehicles	116,114	-	-	116,114
Buildings	1,393,492	-	-	1,393,492
Equipment	251,634	12,848	-	264,482
Total other capital assets	1,761,240	12,848	-	1,774,088
Less accumulated Depreciation:				
Vehicles	95,538	8,936	-	104,474
Buildings	618,211	35,470	-	653,681
Equipment	208,613	9,969	-	218,582
Total accumulated deprec.	922,362	54,375	-	979,737
Other capital assets, net	838,878	(41,527)	-	797,351
Governmental activities capital assets, net	879,878	(41,527)	-	838,351

Total governmental activities depreciation expense recorded as indirect cost. 54,375

The following is a summary of changes in capital assets for the year ended June 30, 2013 as reflected in the funds statements.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Buildings	63,587	-	-	63,587
Vehicles	96,392	-	-	96,392
Equipment	152,450	12,850	-	165,300
Total capital assets	312,429	12,850	-	325,279
Less accumulated depreciation:				
Buildings	10,060	2,365	-	12,425
Vehicles	75,834	8,936	-	84,770
Equipment	108,220	10,467	-	118,687
Total accumulated deprec.	194,114	21,768	-	215882
Capital assets, net	118,315	(8,918)	-	109,397
Governmental activities capital assets, net	118,315	(8,918)	-	109,397

Total funds statement depreciation expense, recorded in the programs through indirect cost. 21,768

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

NOTE 7 – RETIREMENT

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

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

Employees hired after April 1, 2000 and all employees after September 30, 2002, must use the CERS plan which is a cost sharing, multiple-employer, public employees retirement system. The plan provides for retirement, disability, and death benefits. Participating employees contribute 5% of their gross compensation to the retirement system. First time employees hired after September 1, 2008 are subject to an additional 1% retirement withholding. For FY 2013, the BSADD contributed 19.55% of full-time employees' gross compensation to the retirement system as a fringe benefit. The employers' contribution rate is determined by the Board of Trustees, of the Kentucky Retirement Systems, based on the amount necessary for the actuarial soundness of the system as required by KRS 61.565. This rate is reviewed annually following the valuation by a consulting actuary. Employer contributions are deposited to the Retirement Allowance Account and are used to pay monthly benefits and expenses of the system. Vesting in a retirement benefit begins immediately upon entry into the retirement system. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. For FY 2013, employees contributed $130,073 and the BSADD contributed $487,757 in matching payments based on subject wages of $2,494,915.

For more information on this retirement plan, annual audits of the County Employees Retirement System are published yearly and can be obtained from the Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or on the Internet at www.kyret.com.

NOTE 8 – SHORT-TERM DEBT ACTIVITY

The BSADD has a $200,000 line of credit at Citizens National Bank in Paintsville, which the Organization uses for cash flow situations. The beginning and ending balances on this note were $0.00.

NOTE 9 – NOTES PAYABLE

The BSADD is the pass-through agent for several loans from Kentucky Housing Corporation to Mountain Housing Corporation. These loans are recorded as notes payable to Kentucky Housing Corporation and a note receivable from Mountain Housing Corporation. The balance of this payable is $119,775.

NOTE 10 – CAPITAL LEASES

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

The following is the summary of leased assets under capital lease agreements by the BSADD as of June 30, 2013.

	Capital Assets
Building	910,000

The following is a schedule of the future minimum lease payments required under these capital leases and the present value of the net minimum lease payments as of June 30, 2013.

Year Ending June 30,	General Long-Term Debt
2014	61,358
2015	60,706
2016	60,923
2017	60,978
2018	60,869
Total minimum lease payments	304,834
Less amount representing interest	(38,834)
Present value of future minimum lease payments	266,000

NOTE 11 – OPERATING LEASES

The BSADD has a noncancelable operating lease for a Toshiba Digital Color Copier that expires February 14, 2015 and requires the BSADD to pay all executory costs such as taxes, maintenance, and insurance. Rental expense for this copier during FY 13 was $10,084.

Future minimum lease payments under the operating lease are as follows:

Year Ending June 30,	
2014	10,084
2015	1,681
Total lease payments	11,765

NOTE 12 – INSURANCE AND RELATED ACTIVITIES

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

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

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

During the year ended June 30, 2013, the BSADD received 91% of its revenues from federal and state grants.

NOTE 14 – INTER-FUND RECEIVABLES AND PAYABLES

The BSADD has no inter-fund balances as of June 30, 2013.

NOTE 15 – IN-KIND CONTRIBUTIONS

The BSADD received in-kind contributions for the aging program from several counties and cities within their service area for vehicles, gas, salaries, and space. The aging program received a total of $31,884 in contributions, allocated among the programs as follows:

Title III Program	Total State Funds	Cash	Total Funds available for Match	Required Match
Title III - B (15% Match)	36,302		36,302	36,160
C1 (15% Match)	28,201		28,201	28,201
C2 15% Match)	56,282	2,435	58,717	37,712
Title III - D (15% Match)	2,421		2,421	781
Title III - E (25% Match)	27,985	1,203	29,188	29,188
Title VII - Elder Abuse (15% Match)	564		564	564
Title VII - Ombudsman (15% Match)	1,136		1,136	1,136
Total	152,891	3,638	156,529	133,742

The five county Fiscal Courts provided In-Kind for Title IIIB, C1, and C2 in the form of space, transportation, and utilities.

The Homecare Aging Program received $43,283 in match, of which $28,500 is in-kind space provided by the Floyd County Fiscal Court, Paintsville First Baptist Church, and Pikeville Housing Authority. The program generated $12,411 in program income and donations, and received $2,371 in local funds from the BSADD.

The Community Connections for Children Program received $45,576 in In-Kind match. Local funds from the BSADD totaled $40,238 and volunteer time valued at $5,337.

The transportation planning program received $3,637 in local funds from the BSADD.

NOTE 16 – RESTRICTED FUND BALANCES

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

	ED RLF	Water Tap RLF	PRIDE Grant (formerly RLF)	Total Restricted Net Assets
Beginning Balance	407,080	18,842	2,707	428,629
Current Net Income (Loss)	7,778	(14,385)	(3,338)	(9,945)
Ending Balance	414,858	4,457	(631)	418,684

NOTE 17 – CONTINGENCIES

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

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 23, 2014, which is the date the financial statements were available to be issued.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - SUMMARY
For the Year Ended June 30, 2013

REVENUES	JFA	AGING PROGRAMS	OTHER PROGRAMS	TOTAL
Federal Funds	167,773.00	1,070,448.00	3,065,622.00	4,303,843.00
State Funds	114,700.00	2,315,938.00	137,158.00	2,567,796.00
Local Cash	0.00	0.00	47,231.00	47,231.00
In-kind Contributions	0.00	28,500.00	0.00	28,500.00
Other Income	0.00	364,581.00	17,896.00	382,477.00
Contract Income	0.00	0.00	141,920.00	141,920.00
Local Funds Applied	4,478.00	(138,045.00)	152,041.00	18,474.00
Program Income	0.00	12,411.00	0.00	12,411.00
Interest Income	0.00	0.00	11,227.00	11,227.00
TOTAL REVENUES	286,951.00	3,653,833.00	3,573,095.00	7,513,879.00
EXPENDITURES				
Direct Cost				
Salaries	145,978.00	930,850.00	1,143,875.00	2,220,703.00
Fringe Benefits	79,122.00	508,931.00	626,843.00	1,214,896.00
Subcontractors	1,463.00	1,652,749.00	303,062.00	1,957,274.00
Travel	3,389.00	89,969.00	146,901.00	240,259.00
Supplies	89.00	18,577.00	15,156.00	33,822.00
Telephone	162.00	14,152.00	25,654.00	39,968.00
Training	0.00	12,345.00	9,332.00	21,677.00
Space Rent	4,140.00	13,606.00	99,217.00	116,963.00
Space Rent In-kind	0.00	28,500.00	0.00	28,500.00
Equipment/Eq Lease	0.00	8,926.00	7,946.00	16,872.00
Other Expense	1,179.00	16,270.00	74,737.00	92,186.00
Bad Debt Expense	0.00	153,453.00	88,389.00	241,842.00
Interest Expense	0.00	0.00	0.00	0.00
Short Term Training	0.00	0.00	224,708.00	224,708.00
Wage Subsidy	0.00	0.00	348,660.00	348,660.00
Transportation	0.00	0.00	78,859.00	78,859.00
Postage/Printing	631.00	15,209.00	13,458.00	29,298.00
Total Direct Cost	236,153.00	3,463,537.00	3,206,797.00	6,906,487.00
Indirect Costs (Applied)	50,798.00	327,815.00	404,901.00	783,514.00
TOTAL EXPENDITURES	286,951.00	3,791,352.00	3,611,698.00	7,690,001.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	0.00	(137,519.00)	(38,603.00)	(176,122.00)

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - AGING PROGRAMS
For the Year Ended June 30, 2013

	TOTAL AGING PROGRAMS	TOTAL FEDERAL AGING PROGRAMS	TITLE III SOCIAL NSIP	HOMECARE ADM	HOMECARE SOCIAL SERVICES	CAREGIVER GRAND-PARENTS
REVENUES						
Federal Funds						
Title III-Federal	862,937.00	747,936.00	0.00	0.00	0.00	0.00
Title V	0.00	0.00	0.00	0.00	0.00	0.00
NSIP	138,864.00	0.00	138,864.00	0.00	0.00	0.00
Title VII	9,631.00	9,631.00	0.00	0.00	0.00	0.00
Contract Income	0.00	0.00	0.00	0.00	0.00	0.00
FAST	781.00	781.00	0.00	0.00	0.00	0.00
Arthritis	490.00	490.00	0.00	0.00	0.00	0.00
ADRC	7,000.00	7,000.00	0.00	0.00	0.00	0.00
CMS SHIP	50,745.00	50,745.00	0.00	0.00	0.00	0.00
Total Federal Funds	1,070,448.00	816,583.00	138,864.00	0.00	0.00	0.00
State Funds						
Title III-State	172,312.00	172,312.00	0.00	0.00	0.00	0.00
State Title VII	1,700.00	1,700.00	0.00	0.00	0.00	0.00
Long -Term Care	26,989.00	0.00	0.00	0.00	0.00	0.00
Homecare	815,041.00	0.00	0.00	67,000.00	748,041.00	0.00
Adult Day Care	75,861.00	0.00	0.00	0.00	0.00	0.00
Caregiver Grandparents	95,348.00	0.00	0.00	0.00	0.00	95,348.00
State Support Funds	0.00	0.00	0.00	0.00	0.00	0.00
TBI Trust	2,755.00	0.00	0.00	0.00	0.00	0.00
Consumer Directed Options	512,116.00	0.00	0.00	0.00	0.00	0.00
Personal Care Attend	609,111.00	0.00	0.00	0.00	0.00	0.00
Senior Games	4,705.00	0.00	0.00	0.00	0.00	0.00
Total State Funds	2,315,938.00	174,012.00	0.00	67,000.00	748,041.00	95,348.00
Total Federal & State Funds	3,386,386.00	990,595.00	138,864.00	67,000.00	748,041.00	95,348.00
Local Cash	0.00	0.00	0.00	0.00	0.00	0.00
In-kind Contributions	28,500.00	0.00	0.00	28,500.00	0.00	0.00
Other Income	364,581.00	0.00	0.00	0.00	0.00	0.00
Local Funds Applied	(138,045.00)	3,638.00	2.00	2,371.00	0.00	2,377.00
Program Income	12,411.00	0.00	0.00	0.00	12,411.00	0.00
TOTAL REVENUES	3,653,833.00	994,233.00	138,866.00	97,871.00	760,452.00	97,725.00
EXPENDITURES						
Direct Cost						
Salaries	930,850.00	129,326.00	0.00	35,023.00	365,340.00	27,136.00
Fringe Benefits	508,931.00	70,867.00	0.00	19,299.00	199,765.00	14,858.00
Subcontractors	1,652,749.00	699,348.00	138,866.00	0.00	2,653.00	44,289.00
Travel	89,969.00	6,005.00	0.00	336.00	41,238.00	11.00
Supplies	18,577.00	2,065.00	0.00	253.00	6,685.00	0.00
Telephone	14,152.00	2,980.00	0.00	173.00	7,784.00	50.00
Training	12,345.00	10,676.00	0.00	0.00	1,170.00	0.00
Space Rent	13,606.00	4,232.00	0.00	567.00	4,249.00	340.00
Space Rent In-kind	28,500.00	0.00	0.00	28,500.00	0.00	0.00
Equipment/Eq Lease	8,926.00	0.00	0.00	0.00	0.00	0.00
Other Expense	16,270.00	8,462.00	0.00	695.00	77.00	695.00
Bad Debt Expense	153,453.00	0.00	0.00	0.00	0.00	0.00
Postage/Printing	15,209.00	4,963.00	0.00	626.00	1,076.00	752.00
Total Direct Cost	3,463,537.00	938,924.00	138,866.00	85,472.00	630,037.00	88,131.00
Indirect Costs (Applied)	327,815.00	45,695.00	0.00	12,399.00	128,794.00	9,594.00
TOTAL EXPENDITURES	3,791,352.00	984,619.00	138,866.00	97,871.00	758,831.00	97,725.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	(137,519.00)	9,614.00	0.00	0.00	1,621.00	0.00

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

LONG-TERM CARE OMBUDMAN	ADULT DAY CARE	PACESET/ SENIOR GAMES	PERSONAL CARE ATTEND	CDO MEDICAID	UMWA	FEMA DISASTER
0.00	0.00	0.00	0.00	0.00	0.00	115,001.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	115,001.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
26,989.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	75,861.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	2,755.00	0.00	0.00
0.00	0.00	0.00	0.00	512,116.00	0.00	0.00
0.00	0.00	0.00	609,111.00	0.00	0.00	0.00
0.00	0.00	4,705.00	0.00	0.00	0.00	0.00
26,989.00	75,861.00	4,705.00	609,111.00	514,871.00	0.00	0.00
26,989.00	75,861.00	4,705.00	609,111.00	514,871.00	0.00	115,001.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	35,103.00	329,478.00	0.00
0.00	719.00	12.00	7.00	(151,046.00)	0.00	3,875.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
26,989.00	76,580.00	4,717.00	609,118.00	398,928.00	329,478.00	118,876.00
12,418.00	3,340.00	0.00	15,432.00	174,310.00	160,212.00	8,313.00
6,838.00	1,836.00	0.00	8,419.00	94,904.00	87,534.00	4,611.00
719.00	69,413.00	0.00	573,956.00	37,221.00	0.00	86,284.00
958.00	0.00	0.00	0.00	14,059.00	23,601.00	3,761.00
8.00	0.00	4,717.00	119.00	1,749.00	246.00	2,735.00
70.00	0.00	0.00	11.00	1,476.00	0.00	1,608.00
8.00	0.00	0.00	0.00	0.00	491.00	0.00
389.00	57.00	0.00	340.00	3,403.00	0.00	29.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	1,379.00	0.00	7,547.00
859.00	694.00	0.00	695.00	2,971.00	896.00	226.00
0.00	0.00	0.00	0.00	153,453.00		
260.00	65.00	0.00	50.00	6,435.00	11.00	971.00
22,527.00	75,405.00	4,717.00	599,022.00	491,360.00	272,991.00	116,085.00
4,462.00	1,175.00	0.00	5,396.00	61,022.00	56,487.00	2,791.00
26,989.00	76,580.00	4,717.00	604,418.00	552,382.00	329,478.00	118,876.00
0.00	0.00	0.00	4,700.00	(153,454.00)	0.00	0.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - FEDERAL AGING PROGRAMS
For the Year Ended June 30, 2013

	AGENCY ADM	TITLE IIIB SUPPORT SERVICES	CONGREGATE MEALS	HOME DELIVERED MEALS	TITLE IIID HEALTH PREVENTION
REVENUES					
Federal Received	73,001.00	206,913.00	159,804.00	213,699.00	6,955.00
State Received	21,121.00	36,302.00	28,201.00	56,282.00	2,421.00
Local Cash	0.00	0.00	0.00	0.00	0.00
In-kind	0.00	0.00	0.00	0.00	0.00
Program Income	0.00	0.00	0.00	0.00	0.00
Local Funds Applied	0.00	0.00	0.00	2,435.00	0.00
TOTAL REVENUES	94,122.00	243,215.00	188,005.00	272,416.00	9,376.00
EXPENDITURES					
Direct Cost					
Salaries	38,775.00	19,596.00	0.00	0.00	0.00
Burden	20,645.00	10,500.00	0.00	0.00	0.00
Contracts	4,627.00	199,418.00	188,005.00	272,416.00	0.00
Travel	4,282.00	913.00	0.00	0.00	0.00
Space	737.00	989.00	0.00	0.00	0.00
Telephone	1,681.00	375.00	0.00	0.00	0.00
Supplies	1,518.00	134.00	0.00	0.00	0.00
Postage/Printing	1,815.00	894.00	0.00	0.00	0.00
Training	3,194.00	8.00	0.00	0.00	6,846.00
Fees/Dues	3,023.00	1,300.00	0.00	0.00	0.00
Other	404.00	199.00	0.00	0.00	0.00
Total Direct Cost	80,701.00	234,326.00	188,005.00	272,416.00	6,846.00
Indirect Costs (Applied)	13,421.00	6,884.00	0.00	0.00	0.00
TOTAL EXPENDITURES	94,122.00	241,210.00	188,005.00	272,416.00	6,846.00
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	0.00	2,005.00	0.00	0.00	2,530.00

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

TITLE VII OMBUDS-MAN	TITLE VII ELDER ABUSE	CMS SHIP	TITLE III E	FAST	ARTHRITIS	ADRC	TOTAL FEDERAL AGING PROGRAMS
6,437.00	3,194.00	50,745.00	87,564.00	781.00	490.00	7,000.00	816,583.00
1,136.00	564.00		27,985.00	0.00	0.00	0.00	174,012.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	1,203.00	0.00	0.00	0.00	3,638.00
7,573.00	3,758.00	50,745.00	116,752.00	781.00	490.00	7,000.00	994,233.00
3,484.00	1,729.00	18,512.00	43,473.00	257.00	0.00	3,500.00	129,326.00
1,919.00	952.00	10,783.00	24,168.00	0.00	0.00	1,900.00	70,867.00
202.00	100.00	2,969.00	30,921.00	360.00	330.00	0.00	699,348.00
268.00	133.00	99.00	110.00	0.00	0.00	200.00	6,005.00
109.00	54.00	1,606.00	737.00	0.00	0.00	0.00	4,232.00
20.00	10.00	789.00	105.00	0.00	0.00	0.00	2,980.00
2.00	1.00	322.00	11.00	0.00	0.00	77.00	2,065.00
73.00	36.00	1,662.00	483.00	0.00	0.00	0.00	4,963.00
2.00	1.00		625.00	0.00	0.00	0.00	10,676.00
226.00	112.00	1,432.00	1,042.00	0.00	0.00	0.00	7,135.00
15.00	8.00	377.00	0.00	164.00	160.00	0.00	1,327.00
6,320.00	3,136.00	38,551.00	101,675.00	781.00	490.00	5,677.00	938,924.00
1,253.00	622.00	7,115.00	15,077.00	0.00	0.00	1,323.00	45,695.00
7,573.00	3,758.00	45,666.00	116,752.00	781.00	490.00	7,000.00	984,619.00
0.00	0.00	5,079.00	0.00	0.00	0.00	0.00	9,614.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - OTHER PROGRAMS
For the Year Ended June 30, 2013

	TOTAL OTHER PROGRAMS	COMM. COLLABORATIVE FOR CHILDREN	TRANS-PORTATION PLANNING	PROJECT DEVELOPMENT	TANF - KENTUCKY WORKS
REVENUES					
Federal Funds	3,065,622.00	136,727.00	0.00	59,098.00	2,861,575.00
State Funds	137,158.00	0.00	67,158.00	70,000.00	0.00
Local Cash	47,231.00	32,231.00	0.00	0.00	0.00
Contract Income	141,920.00	0.00	0.00	116,920.00	0.00
Other Income	17,896.00	0.00	0.00	0.00	0.00
Local Funds Applied	152,041.00	8,007.00	3,637.00	8,271.00	129,208.00
Interest Income	11,227.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	3,573,095.00	176,965.00	70,795.00	254,289.00	2,990,783.00
EXPENDITURES					
Direct Cost					
Salaries	1,143,875.00	73,043.00	33,079.00	94,057.00	932,553.00
Fringe Benefits	626,843.00	40,079.00	18,196.00	51,927.00	510,539.00
Subcontracts	303,062.00	11,307.00	0.00	16,645.00	274,830.00
Space Rent	99,217.00	1,418.00	964.00	3,176.00	93,205.00
Travel	146,901.00	10,736.00	5,889.00	10,819.00	117,761.00
Equipment/Eq Lease	7,946.00	329.00	0.00	1,185.00	6,432.00
Telephone	25,654.00	783.00	46.00	2,375.00	22,408.00
Training	9,332.00	1,463.00	0.00	2,879.00	4,990.00
Supplies	15,156.00	294.00	57.00	975.00	13,620.00
Other Expense	74,737.00	10,914.00	358.00	5,336.00	21,986.00
Bad Debt Expense	88,389.00	0.00	0.00	0.00	0.00
Interest Expense	0.00	0.00	0.00	0.00	0.00
Postage/Printing	13,458.00	848.00	531.00	6,236.00	5,434.00
Short Term Training	224,708.00	0.00	0.00	0.00	224,708.00
Wage Subsidy	348,660.00	0.00	0.00	0.00	348,660.00
Transportation	78,859.00	0.00	0.00	0.00	78,859.00
Total Direct Cost	3,206,797.00	151,214.00	59,120.00	195,610.00	2,655,985.00
Indirect Costs (Applied)	404,901.00	25,751.00	11,675.00	33,550.00	329,583.00
TOTAL EXPENDITURES	3,611,698.00	176,965.00	70,795.00	229,160.00	2,985,568.00
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	(38,603.00)	0.00	0.00	25,129.00	5,215.00

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

K-START	KHC/ MOUNTAIN HOUSING	WATER TAP REVOLVING FUND	PRIDE GRANT (NOAA)	EDA REVOLVING FUND	LOCAL/ ADM
8,222.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	15,000.00
0.00	25,000.00	0.00	0.00	0.00	0.00
0.00	0.00	135.00	0.00	0.00	17,761.00
0.00	0.00	0.00	0.00	0.00	2,918.00
0.00	0.00	40.00	0.00	10,847.00	340.00
8,222.00	25,000.00	175.00	0.00	10,847.00	36,019.00
0.00	11,143.00	0.00	0.00	0.00	0.00
0.00	6,102.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	280.00
0.00	454.00	0.00	0.00	0.00	0.00
0.00	1,338.00	0.00	0.00	0.00	358.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	42.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	210.00
7,368.00	200.00	14,560.00	3,338.00	3,069.00	7,608.00
0.00	0.00	0.00	0.00	0.00	88,389.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	409.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
7,368.00	19,688.00	14,560.00	3,338.00	3,069.00	96,845.00
0.00	4,342.00	0.00	0.00	0.00	0.00
7,368.00	24,030.00	14,560.00	3,338.00	3,069.00	96,845.00
854.00	970.00	(14,385.00)	(3,338.00)	7,778.00	(60,826.00)

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES BY JFA PROGRAM ELEMENT
For the Year Ended June 30, 2013

	COMM ECONOMIC DEVELOPMENT	COMM DEVELOP BLOCK GRANT	ARC PLANNING & ASSISTANCE	ED ADM	TOTAL JFA
REVENUES					
Federal Funds	69,500.00	15,500.00	82,773.00	0.00	167,773.00
State Funds	16,250.00	15,500.00	82,717.00	233.00	114,700.00
State Unmatched	0.00	0.00	0.00	0.00	0.00
Local Funds Applied	98.00	0.00	2,148.00	2,232.00	4,478.00
TOTAL REVENUES	85,848.00	31,000.00	167,638.00	2,465.00	286,951.00
EXPENDITURES					
Direct Cost					
Salaries	42,770.00	15,329.00	86,629.00	1,250.00	145,978.00
Fringe Benefits	23,286.00	8,360.00	46,791.00	685.00	79,122.00
Service Contracts	0.00	1,463.00	0.00	0.00	1,463.00
Travel	2,654.00	49.00	686.00	0.00	3,389.00
Space Rent	1,021.00	397.00	2,722.00	0.00	4,140.00
Supplies	0.00	0.00	89.00	0.00	89.00
Telephone	153.00	0.00	0.00	9.00	162.00
Training	0.00	0.00	0.00	0.00	0.00
Equipment/Eq Lease	0.00	0.00	0.00	0.00	0.00
Other Expense	1,154.00	0.00	0.00	25.00	1,179.00
Postage/Printing	563.00	64.00	0.00	4.00	631.00
Total Direct Cost	71,601.00	25,662.00	136,917.00	1,973.00	236,153.00
Indirect Costs (Applied)	14,247.00	5,338.00	30,721.00	492.00	50,798.00
TOTAL EXPENDITURES	85,848.00	31,000.00	167,638.00	2,465.00	286,951.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	85,848.00	31,000.00	167,638.00	2,465.00	286,951.00
TOTAL BUDGET	85,874.00	31,000.00	167,579.00	2,377.00	286,830.00
(OVER)/UNDER BUDGET	26.00	0.00	(59.00)	(88.00)	(121.00)

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF INDIRECT COST ALLOCATION
For the Year Ended June 30, 2013

INDIRECT COST

Salaries	353,515.00
Employee Benefits	139,411.00
Service Contracts	3,872.00
Travel	23,871.00
Space Rental	33,403.00
Equipment/Eq Lease	9,903.00
Telephone	24,892.00
Utilities	23,911.00
Maintenance	23,972.00
Supplies	11,224.00
Postage/Printing	9,961.00
Other Expense	1,060.00
Training	2,733.00
Depreciation	21,767.00
Board Expense	9,454.00
Dues & Publications	23,023.00
Software User Fees/Licenses	4,038.00
Insurance	63,504.00
Total Indirect Cost	783,514.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2012	RECEIPTS	DISBURSE-MENTS	CASH ACCRUED JUNE 30, 2013
U.S. Department of Health and Human Services						
Passed through Kentucky Cabinet for Health and Family Services						
Title III B	93.044	228,654	-	228,834.00	226,829.00	2,005.00
Title III C	93.045	430,739	-	414,954.00	414,954.00	-
NSIP	93.053	138,864	-	138,864.00	138,864.00	-
			-	782,652.00	780,647.00	2,005.00
Title VII - Elder Abuse	93.041	3,194	-	3,194.00	3,194.00	-
Ombudsman Education	93.042	6,437	-	6,437.00	6,437.00	-
Title III D	93.043	15,837	-	6,955.00	4,425.00	2,530.00
Aging and Disability Resource Center	93.048	7,000	-	7,000.00	7,000.00	-
Caregiver Support Title IIIE	93.052	100,236	-	97,193.00	97,193.00	-
Functional Assessment Service Team	93.069	3,000	-	781.00	781.00	-
Kentucky Sobriety and Treatment Recovery Teams	93.087	20,000	-	8,222.00	8,222.00	-
CMS-SHIP	93.779	53,263	-	50,745.00	45,666.00	5,079.00
Improving Arthritis Outcomes	93.945	7,000	-	490.00	490.00	-
Title IV-B	93.556	51,570	-	38,254.00	38,254.00	-
Community Based Child Abuse Prevention	93.590	110,444	-	98,473.00	98,473.00	-
Temporary Assistance to Needy Families (KY Works)	93.558	2,950,628	-	2,861,575.00	2,856,361.00	5,214.00
Total U.S. Department of Health and Human Services			-	3,961,971.00	3,947,143.00	14,828.00

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2012	RECEIPTS	DISBURSE-MENTS	CASH ACCRUED JUNE 30, 2013
Appalachian Regional Commission (ARC)						
Appalachian Local Development District Assistance	23.009	82,717	-	82,773.00	82,773.00	-
Passed through Floyd Co. KY Fiscal Court:						
Appalachian Regional Development - Floyd County Sewer Project	23.001	10,000	-	10,000.00	10,000.00	-
Passed through Center for Rural Development:						
Research, Technical Assistance & Demonstration Projects-Water Trail Signs	23.011	8,000	-	8,000.00	8,000.00	-
Total ARC			-	100,773.00	100,773.00	-
U.S. Department of Commerce Economic Development Administration						
Passed through Department for Local Government (DLG):						
EDA - Planning Assistance	11.302	69,500	-	69,500.00	69,500.00	-
Passed through KY Council of Area Development Districts:						
National Telecommunications & Information Adm:						
Regional Planning for Broadband Adoption (ARRA)	11.557	5,000	-	5,000.00	5,000.00	-
Economic Adjustment Assistance:						
EDA - Title IX EAAP - Revolving Loan Fund	11.307	500,000	-	0.00	313,473.00	(313,473.00)
U.S. Department of Commerce Economic Development Adm			-	74,500.00	387,973.00	(313,473.00)

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2012	RECEIPTS	DISBURSE-MENTS	CASH ACCRUED JUNE 30, 2013
Envionmental Protection Agency							
Passed through Martin County, KY Fiscal Court							
Congressional Mandated Projects - Inez Wastewater Treatment Plant	66.202		22,700	-	22,700.00	22,700.00	-
Total Environmental Protection Agency				-	22,700.00	22,700.00	-
U.S. Department of Homeland Security							
Passed through the Kentucky Department of Aging and Independent Living:							
Federal Emergency Management Agency (FEMA):							
Nonprofit Security Program	97.008		1,100,455	-	115,001.00	115,001.00	-
Passed through the City of Martin, Kentucky:							
Flood Mitigation Assistance	97.047		13,398	-	13,398.00	13,398.00	-
Total U.S. Department of Homeland Security				-	128,399.00	128,399.00	-
U.S. Department of Housing & Urban Development							
Passed through Department for Local Government (DLG)							
Community Development Block Grant	14.228		15,500	-	15,500.00	15,500.00	-
Total Federal Awards				0.00	4,303,843.00	4,602,488.00	(298,645.00)

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

KY Works subrecipients - 100% federal			
Housing Authority of Pikeville	$	15,041	61-0705759
748 Hambley Blvd Pikeville, KY 41501			
Kentucky Educational Development Corporation	$	98,555	61-0659010
940 W Rose Road Ashland, KY 41102			
Russell County Board of Education	$	151,275	61-6001305
404 S Main Street Jamestown, KY 42629			
	$	264,871	
Aging:			
IIIB Subrecipients (federal share)			
Appalachian Research and Defense Fund of KY, Inc.	$	5,394	61-0849848
140 N Front Street Prestonsburg KY 41653			
Pike County Senior Citizens Program, Inc	$	53,521	61-1160806
PO Box 751 Pikeville KY 41502			
Martin County Senior Citizens, Inc	$	16,834	61-0060988
PO Box 631 Inez KY 41224			
Magoffin County Senior Citizens, Inc	$	23,182	61-1161769
PO Box 531 Salyersville KY 41465			
Johnson County Senior Citizens Program, Inc	$	21,511	61-1161767
PO Box 446 Paintsville KY 41240			
Floyd County Senior Citizens, Inc	$	48,294	61-1160817
149 S Central Ave Prestonsburg KY 41653			
	$	168,736	
CI Subrecipients (federal share)			
Pike County Senior Citizens Program, Inc	$	52,361	
Martin County Senior Citizens, Inc	$	16,469	
Magoffin County Senior Citizens, Inc	$	22,680	
Johnson County Senior Citizens Program, Inc	$	21,045	
Floyd County Senior Citizens, Inc	$	47,248	
	$	159,804	
CII subrecipients (federal share)			
Pike County Senior Citizens Program, Inc	$	70,021	
Martin County Senior Citizens, Inc	$	22,024	
Magoffin County Senior Citizens, Inc	$	30,329	
Johnson County Senior Citizens Program, Inc	$	28,143	
Floyd County Senior Citizens, Inc	$	63,183	
	$	213,699	
NSIP subrecipients - 100% federal			
Pike County Senior Citizens Program, Inc	$	65,565	
Martin County Senior Citizens, Inc	$	9,093	
Magoffin County Senior Citizens, Inc	$	11,377	
Johnson County Senior Citizens Program, Inc	$	14,433	
Floyd County Senior Citizens, Inc	$	38,398	
	$	138,866	

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2013

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Big Sandy Area Development District, Inc. as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Big Sandy Area Development District, Inc.'s basic financial statements, and have issued our report thereon dated January 21, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
January 21, 2014

LYNETTE R. SCHINDLER, CPA, PSC
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Big Sandy Area Development District, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Big Sandy Area Development District, Inc.'s major federal programs for the year ended June 30, 2013. Big Sandy Area Development District, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Big Sandy Area Development District, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Sandy Area Development District, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Big Sandy Area Development District, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Big Sandy Area Development District, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Big Sandy Area Development District, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Big Sandy Area Development District, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
January 21, 2014

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:
Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Significant deficiences identified	___ Yes	X No
Significant deficiences identified that are considered to be material weaknesses	___ Yes	X None reported
Non-compliance material to financial statements noted	___ Yes	X No

Federal Awards:
Internal control over major programs:

Significant deficiences identified	___ Yes	X No
Significant deficiences identified that are considered to be material weaknesses	___ Yes	X None reported

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

Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ Yes X No

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

CFDA 93.053 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - Nutrition Service Incentive Program (NSIP)

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

Auditee qualified as a low-risk auditee? X Yes ___ No

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

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