BIG SANDY AREA DEVELOPMENT DISTRICT, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

PREPARED BY:

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Big Sandy Area Development District, Inc. as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Big Sandy Area Development District, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, 2014, 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 – xi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015, on our consideration of the Big Sandy Area Development District, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Sandy Area Development District, Inc.'s internal control over financial reporting and compliance.

Lynette R. Schindler, CPA, PSC

Pikeville, Kentucky
January 22, 2015

The following comments are provided as an overview of the financial activities for the year ended June 30, 2014 and to assist the reader in assessment of the financial condition of the Big Sandy Area Development District, Inc. (BSADD) as of June 30, 2014. 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 new required format for the fiscal year ended June 30, 2014, 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 1.5% to $1,113,898. Restricted Fund Balance increased 1.0% to $423,061.
- The District had $9,361 of expenses in excess of revenues.
- Net Surplus / deficit for each division were as follows:

    1. TANF (KY Works Program) broke even.
    2. Housing had a surplus of $4,496.
    3. Projects / GIS had a deficit of $19.
    4. Dept. 400, which captures rental and other income and provides other programs with local cash, had a deficit of $26,696.
    5. JFA broke even.
    6. Aging Division (including CCFC) had a surplus of $5,368
    7. All other departments combined to break even.

    THE COMBINED DIVISIONS AND DEPARTMENTS ABOVE ACCOUNT FOR THE OPERATING DEFICIT OF $16,851.

    8. RLF programs (Restricted Funds) had a combined surplus of $3,745.

- Total revenues increased from 7.51 million in 2013 to 8.67 million in 2014.
- Total expenses increased from 7.69 million in 2013 to 8.69 million in 2014.
- Final budgeted deficit was $32,629, final deficit was $13,106.

The deficit was caused in part by one of the ADD's major contracts, the Kentucky Works program, having a restriction on the ability of the ADD to recoup shared costs attributed to the program. The inability to bill for these costs left the ADD to cover for them out of local funds and fund balance. BSADD management has negotiated a substantial increase in allowable shared costs for the FY 2015-16 contract.

Another chief reason for deficit was the reduction in number of projects department contracts and the administrative work associated with them. This can be attributed to the downturn of the coal industry and decrease in severance tax. Management has taken steps to better match the size of the projects department with the amount of available work so it can be self-sustaining in the future.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2014

Common size revenue and expense per program:

	Revenues	Expenses
Aging	55.98%	55.84%
CCFC	2.03%	2.03%
Housing	0.29%	0.24%
JFA	3.32%	3.31%
KY Works	31.75%	31.70%
Local/Other	-0.22%	0.09%
Casey Foundation/COH	2.43%	2.42%
Projects/GIS	3.50%	3.49%
Transportation	0.84%	0.84%
RLF - ED & Pike Co.	0.09%	0.04%
	100.00%	**100.00%**

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

Assets – Total assets as of June 30, 2014 were $2,987,595 compared to $2,993,985 at the end of 2013. Of the $6,390 net decrease current assets increased $63,967, capital assets decreased $25,135 and long-term assets decreased $45,222 to $102,637 as of June 30, 2014. Current assets increased due to increased accounts receivable. Capital assets decreased due to depreciation. Long term assets decreased due to receipt of outstanding RLF loans.

Liabilities – Current liabilities increased $39,553 from $694,593 at the close of FY 13 to $734,146 as of June 30, 2014. Long-term liabilities decreased $47,947 from $286,373 in FY 13 to $238,426 as of June 30, 2014. The increase in current liabilities was due increases in revenue received early and payroll liabilities. The decrease in long-term liabilities was due to paying down capital lease payables.

Net Assets – Net Assets equaled $2,015,023 at FY 14 close compared to $2,013,019 at the close of FY 13.
Unrestricted general net assets totaled $1,095,093, restricted RLF net assets totaled $423,061, and net capital assets totaled $496,869.

Year End Financial Position
Unrestricted net assets represent 36.65% 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 $58,879 reduced capital assets. The District increased capital assets by $33,746 with the purchase of a new phone system, cubicles, and copy machine.

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 $48,000. Outstanding principal at year end was $218,000.
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 $108,409, a decrease of from $11,366 from FY 2013.

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

Several items had significant budget variances.

External subcontractor expenses and revenues have been required by a funding source to be included within these financial statements. BSADD management does not consider them part of its operational budget because the receipt and expenditure of these funds are beyond its direct control.

Excluding these items, total revenues, total direct expenditures, and total indirect costs for the ADD as a whole were all within 10% of the final budget.

Local cash revenue and contract expense were significantly higher than budgeted due to reasons mentioned above. In kind space was higher than budgeted due to only counting BSADD cash expenditures in the board approved budget. Other income revenues were higher 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 lower than expected due to a rebate given by the service company. Other expense was higher than budgeted due to client funds being counted in this line item rather than subcontractors.

Conditions that affect FY 2015

For fiscal year 2015, major grant contracts are projected to remain stable in respect to internal costs. Funding for programs in regards to internal operating costs remains close to FY 2014 levels. Management expects to see continued growth in the Consumer Directed Options program. The related income will have a positive effect on the ADD as a whole.

Many changes have been proposed by the Cabinet for Health and Family Services on how the aging department is structured and how direct services are provided to clients. One program that is scheduled to change substantially is the CDO program. These changes may possibly have a detrimental effect on the ADD.

BSADD will be able to bill actual shared costs to the Kentucky Works program instead of the reduced rate allowed the last 2 years. This will put KWP in line with other programs in regards to indirect costs being able to be billed equitably across the programs. This will give BSADD much more flexibility with local dollars for matching and supplementing other programs within the organization.

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.

Johnson County Community of Hope – Casey Family Programs –The ADD is fiscal agent for the Johnson County Community of Hope program for the Department of Community Based Services. The program, funded by Casey Family Programs, provides support to help children and families in the county have a better quality of life through counseling, education, and mentoring.

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF NET ASSETS
June 30, 2014

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 633,886.00
Accounts Receivable	1,362,964.00
Accounts Receivable - Other	793.00
Prepaid Expenses	11,903.00
Deposits	1,500.00
Loans Receivable - ED RLF, Current Portion	56,674.00
Loans Receivable - Water Tap RLF, Current Portion	4,022.00
TOTAL CURRENT ASSETS	2,071,742.00
CAPITAL ASSETS	
Land	41,000.00
Buildings	1,393,489.00
Equipment	414,343.00
Less Accumulated Depreciation	1,035,616.00
NET CAPITAL ASSETS	813,216.00
LONG-TERM ASSETS	
Loans Receivable - ED RLF, Less Current Portion	102,637.00
TOTAL LONG-TERM ASSETS	102,637.00
TOTAL ASSETS	$ 2,987,595.00

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, 2014

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	$ 477,257.00
Payroll Liabilities	38,604.00
Accrued Vacation, Current Portion	17,375.00
Notes Payable, KHC	108,409.00
Capital Leases Payable, Current Portion	60,706.00
Unearned Revenue	31,795.00
TOTAL CURRENT LIABILITIES	734,146.00
LONG-TERM LIABILITIES	
Accrued Vacation, Less Current Portion	81,132.00
Capital Leases Payable, Less Current Portion	157,294.00
TOTAL LONG-TERM LIABILITIES	238,426.00
TOTAL LIABILITIES	972,572.00
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	496,869.00
Restricted Net Assets	423,061.00
Unrestricted Net Assets	1,095,093.00
TOTAL NET ASSETS	2,015,023.00
TOTAL LIABILITIES AND NET ASSETS	$ 2,987,595.00

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, 2014

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	$ 4,493,516.00	$ 351,673.00	$ 167,940.00	$ 4,689,199.00	$ 11,950.00
JFA Programs	73,690.00	51,209.00		287,820.00	162,921.00
Kentucky Works	2,421,350.00	327,231.00		2,754,686.00	6,105.00
Transportation Planning	60,410.00	12,002.00		72,637.00	225.00
Project Development/Other	640,669.00	38,977.00		522,909.00	(156,737.00)
Management Services	7,764.00	0.00		(18,932.00)	(26,696.00)
Comm Collaborative for Children	149,828.00	26,236.00		176,555.00	491.00
Revolving Loan Programs	3,810.00	0.00		45.00	(3,765.00)
Total Governmental Activities	$ 7,851,037.00	$ 807,328.00	$ 167,940.00	$ 8,484,919.00	(5,506.00)
General Revenues:					
Interest Income					7,510.00
Change in Net Assets					2,004.00
Net Assets, Beginning of Year					2,013,019.00
Net Assets, End of Year					$ 2,015,023.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
BALANCE SHEET
June 30, 2014

ASSETS	
Cash and Cash Equivalents	$ 633,886.00
Accounts Receivable	1,362,964.00
Accounts Receivable - Other	793.00
Prepaid Expenses	11,903.00
Deposits	1,500.00
Loans Receivable - ED RLF	159,311.00
Loans Receivable - Water Tap RLF	4,022.00
PROPERTY, PLANT AND EQUIPMENT, NET	117,152.00
TOTAL ASSETS	$ 2,291,531.00
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	$ 477,257.00
Payroll Liabilities	38,604.00
Accrued Vacation	98,507.00
Unearned Revenues	31,795.00
Notes Payable-KHC	108,409.00
TOTAL LIABILITIES	754,572.00
FUND BALANCE	
Restricted Fund Balance	423,061.00
Unrestricted Fund Balance	1,113,898.00
TOTAL FUND BALANCE	1,536,959.00
TOTAL LIABILITIES AND FUND BALANCE	$ 2,291,531.00

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, 2014

Fund balance - governmental fund	$ 1,536,959.00
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of land, buildings, and equipment specifically charged to individual programs are not reported in the government funds, net of accumulated depreciation of $793,745	696,064.00
Capital leases are expensed as they are paid in the government funds	(218,000.00)
Net assets of governmental activities	$ 2,015,023.00

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, 2014

REVENUES		
Federal Funds	$ 4,070,136.00	
State Funds	2,450,592.00	
Local Cash	1,437,642.00	
Other Income	423,701.00	
Contract Income	270,467.00	
In-Kind Space	15,937.00	
Interest Income	7,831.00	
TOTAL REVENUES		$ 8,676,306.00
EXPENDITURES		
Direct Cost		
Salaries	2,268,360.00	
Fringe Benefits	1,237,167.00	
Subcontractors	3,231,014.00	
Travel	219,975.00	
Supplies	38,931.00	
Telephone	43,938.00	
Training	14,215.00	
Space Rent	97,692.00	
In-Kind Space	15,937.00	
Equipment/Eq Lease	18,277.00	
Other Expense	171,131.00	
Interest Expense	0.00	
Postage/Printing	31,505.00	
Short Term Training	123,421.00	
Wage Subsidy	275,550.00	
Transportation	79,860.00	
Total Direct Cost		7,866,973.00
Indirect Costs (Applied)		822,439.00
TOTAL EXPENDITURES		8,689,412.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES		(13,106.00)
FUND BALANCE - JULY 1, 2013		1,550,065.00
FUND BALANCE - JUNE 30, 2014		$ 1,536,959.00

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, 2014

Net change in fund balance - governmental fund	$ (13,106.00)
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	(32,890.00)
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.	48,000.00
Change in net assets of governmental activities	$ 2,004.00

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, 2014

REVENUES	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE OVER/(UNDER) FINAL BUDGET	%
Federal & State Funds	6,520,728.00	7,605,227.00	6,993,592.00	(472,864.00)	0.07
Local Cash	1,437,642.00	49,300.00	29,155.00	1,408,487.00	(48.31)
Other Income	423,701.00	35,000.00	35,000.00	388,701.00	(11.11)
Contract Income	270,467.00	282,632.00	161,257.00	109,210.00	(0.68)
In-Kind Space	15,937.00	0.00	0.00	15,937.00	0.00
Interest Income	7,831.00	0.00	0.00	7,831.00	0.00
TOTAL REVENUES	8,676,306.00	7,972,159.00	7,219,004.00	1,457,302.00	(0.20)
EXPENDITURES					
Direct Cost					
Salaries	2,268,360.00	2,374,998.00	2,260,322.00	8,038.00	(0.00)
Fringe Benefits	1,237,167.00	1,291,602.00	1,238,692.00	(1,525.00)	0.00
Subcontractors	3,231,014.00	2,325,144.00	1,942,159.00	1,288,855.00	(0.66)
Travel	219,975.00	267,200.00	227,780.00	(7,805.00)	0.03
Supplies	38,931.00	56,425.00	40,448.00	(1,517.00)	0.04
Telephone	43,938.00	43,200.00	38,449.00	5,489.00	(0.14)
Training	14,215.00	45,860.00	16,668.00	(2,453.00)	0.15
Space Rent	97,692.00	130,585.00	100,584.00	(2,892.00)	0.03
In-Kind Space	15,937.00	0.00	0.00	15,937.00	0.00
Equipment/Eq Lease	18,277.00	12,350.00	17,091.00	1,186.00	(0.07)
Other Expense	171,131.00	59,518.00	46,226.00	124,905.00	(2.70)
Interest Expense	0.00	0.00	0.00	0.00	0.00
Postage/Printing	31,505.00	30,093.00	32,758.00	(1,253.00)	0.04
Short Term Training	123,421.00	125,000.00	125,000.00	(1,579.00)	0.01
Wage Subsidy	275,550.00	275,000.00	275,000.00	550.00	(0.00)
Transportation	79,860.00	85,000.00	85,000.00	(5,140.00)	0.06
Total Direct Cost	7,866,973.00	7,121,975.00	6,446,177.00	1,420,796.00	(0.22)
Indirect Costs (Applied)	822,439.00	822,989.00	805,456.00	16,983.00	(0.02)
TOTAL EXPENDITURES	8,689,412.00	7,944,964.00	7,251,633.00	1,437,779.00	(0.20)
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	(13,106.00)	27,195.00	(32,629.00)	19,523.00	0.60

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, 2014, the liability for accrued vacation is a total of $98,507. 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 $81,132 which represents the non-current portion or the amount estimated to be used in subsequent fiscal years is recorded as a long-term debt.

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

4. **Long-Term Liabilities**:

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

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

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 $374,134 as of June 30, 2014 at Citizens National Bank of Paintsville. Collateral consisting of Federal Home Loan Mortgage Corporation securities with a par value of $611,111 and a market

value of $618,585, Allen County, Kentucky Revenue Bonds with a par value of $25,000 and market value of $27,010, Federal National Mortgage Association (FNMA) Pool with a par value of $563,643 and a market value of $577,972, Federal National Mortgage Association (FNMA) 2 13-87 BA with a par value of $68,143 and a market value of $68,300, Leitchfield, KY municipal bonds with a par value of $60,000 and a market value of $57,569, Northern Kentucky University Revenue Bonds with a par value of $25,000 and market value of $25,637, Perry County, KY School District Bonds with a par value of $100,000 and a market value of $102,320, Union County, KY bonds with a par value of $35,000 and a market value of $36,230, and Johnson County KY School District Bonds with a par value of $45,000 and market value of $48,007 for a total pledged assets of $1,557,742 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 $259,728, $141,895 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 $24. 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	1,007,524.00
Consumer Directed Options (CDO)	174,531.00
Mountain Housing Corporation – KHC loans	180,909.00
Total Accounts Receivable	1,362,964.00

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. The BSADD uses the direct write-off method to account for bad debts in the accounts receivable. During 2014 the BSADD wrote off uncollectable amounts in the CDO program in the amount of $300. As of June 30, 2014, 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, 2014, the fund had the following outstanding notes receivable:

Note receivable from Advanced Chiropractic Center, payable in 84 monthly installments of $683.44 including 4% interest, beginning January 1, 2009	11,923.00
Note receivable from Pig in a Poke II payable in 84 monthly installments of $740.50 including 4.5% interest, beginning February 16, 2009	18,832.00
Note receivable from Pig in a Poke III payable in 84 monthly installments of $981.44 including 4.75% interest, beginning March 28, 2011	51,165.00
Note receivable from Lizzie B's Cafe payable in 60 monthly installments of $469.03 including 4.75% interest, beginning June 30, 2011	10,292.00
Note receivable from Lizzie B's Cafe II payable in 60 monthly installments of $562.80 including 4.75% interest, beginning April 12, 2012	17,376.00
Note receivable from Lucky's Quick Stop payable in 60 monthly installments of $468.99 including 4.75% interest, beginning June 22, 2012	15,299.00
Note receivable from Saving Grace, LLC payable in 36 monthly installments of $1,498.54 including 4.75% interest, beginning March 4, 2013	34,424.00
Total Notes Receivable	159,311.00
Less Current Portion	(56,674.00)
Long-term Notes Receivable	102,637.00

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, 2014 is $4,022.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2014 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	1,393,489	-	-	1,393,489
Equipment	264,483	33,746	-	298,229
Total other capital assets	1,774,086	33,746	-	1,807,832
Less accumulated Depreciation:				
Vehicles	104,474	8,044	-	112,518
Buildings	653,681	35,935	-	689,616
Equipment	218,582	14,900	-	233,482
Total accumulated deprec.	976,737	58,879	-	1,035,616
Other capital assets, net	797,349	(25,133)	-	772,216
Governmental activities capital assets, net	838,349	(25,133)	-	813,216

Total governmental activities depreciation expense recorded as indirect cost. 58,879

The following is a summary of changes in capital assets for the year ended June 30, 2014 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	165,298	33,746	-	199,044
Total capital assets	325,277	33,746	-	359,023
Less accumulated depreciation:				
Buildings	12,425	2,365	-	14,790
Vehicles	84,770	8,043	-	92,813
Equipment	118,687	15,581	-	134,268
Total accumulated deprec.	215,882	25,989	-	241,871
Capital assets, net	109,395	7,757	-	117,152
Governmental activities capital assets, net	109,395	7,757	-	117,152

Total funds statement depreciation expense, recorded in the programs through indirect cost.	25,989

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 2014, the BSADD contributed 18.89% 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 2014, employees contributed $132,915 and the BSADD contributed $477,771 in matching payments based on subject wages of $2,532,287.

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 had a $200,000 line of credit at Citizens National Bank in Paintsville, which the Organization used for cash flow situations. The BSADD decided not to renew this line of credit when it came up for renewal.

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 $108,408.

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, 2014.

	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, 2014.

Year Ending June 30,	General Long-Term Debt
2015	60,706
2016	60,923
2017	60,978
2018	60,869
Total minimum lease payments	243,476
Less amount representing interest	(25,476)
Present value of future minimum lease payments	218,000

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 14 was $10,084.

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

Year Ending June 30, 2014	
2015	1,681
Total lease payments	1,681

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, 2014, the BSADD received 89% 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, 2014.

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)	33,890	269,946	303,836	29,107
C1 (15% Match)	41,499	163,377	204,876	22,910
C2 15% Match)	47,063	739,911	786,974	35,633
Title III - D (15% Match)	2,421		2,421	781
Title III - E (25% Match)	26,346		26,346	21,552
Title VII - Elder Abuse (15% Match)	553		553	553
Title VII - Ombudsman (15% Match)	971		971	971
Total	152,891	3,638	156,529	133,742

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

The Homecare Aging Program received $15,937 as In-Kind space provided by the Floyd County Fiscal Court, Paintsville First Baptist Church, and Pikeville Housing Authority. The program generated $10,367 in program income and donations, and received $12,595 in local funds from the BSADD.

The Adult Day Program received $3,305 from donations and fees from clients and $35,056 in cash from the service provider.

The Community Connections for Children Program received $50,052 in In-Kind match. Local funds from the BSADD totaled $27,650 and volunteer time valued at $4,723. Community of Hope provided $17,679 of value.

The transportation planning program received $4,550 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	Total Restricted Net Assets
Beginning Balance	414,858	4,457	419,315
Current Net Income (Loss)	4,499	(753)	3,746
Ending Balance	419,357	3,704	423,061

NOTE 17 – COST ALLOCATION PLAN

Big Sandy Area Development District, Inc. is required by the Department of Local Government to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan follows on page 21. The District is in conformity with 2 CFR Part 225.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 18 – 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 19 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 22, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - SUMMARY
For the Year Ended June 30, 2014

REVENUES	JFA	AGING PROGRAMS	OTHER PROGRAMS	TOTAL
Federal Funds	154,427.00	1,027,650.00	2,888,059.00	4,070,136.00
State Funds	116,206.00	2,198,129.00	136,257.00	2,450,592.00
Local Cash	13,098.00	1,392,910.00	31,634.00	1,437,642.00
Other Income	4,089.00	54,573.00	365,039.00	423,701.00
Contract Income	0.00	167,940.00	102,527.00	270,467.00
In-Kind Space	0.00	15,937.00	0.00	15,937.00
Interest Income	0.00	0.00	7,831.00	7,831.00
TOTAL REVENUES	287,820.00	4,857,139.00	3,531,347.00	8,676,306.00
EXPENDITURES				
Direct Cost				
Salaries	144,265.00	982,512.00	1,141,583.00	2,268,360.00
Fringe Benefits	78,820.00	538,872.00	619,475.00	1,237,167.00
Subcontractors	0.00	2,687,402.00	543,612.00	3,231,014.00
Travel	5,719.00	80,608.00	133,648.00	219,975.00
Supplies	0.00	22,502.00	16,429.00	38,931.00
Telephone	43.00	11,680.00	32,215.00	43,938.00
Training	1,857.00	8,198.00	4,160.00	14,215.00
Space Rent	4,050.00	12,300.00	81,342.00	97,692.00
In-Kind Space	0.00	15,937.00	0.00	15,937.00
Equipment/Eq Lease	0.00	1,946.00	16,331.00	18,277.00
Other Expense	463.00	113,261.00	57,407.00	171,131.00
Interest Expense	0.00	0.00	0.00	0.00
Short Term Training	0.00	0.00	123,421.00	123,421.00
Wage Subsidy	0.00	0.00	275,550.00	275,550.00
Transportation	0.00	0.00	79,860.00	79,860.00
Postage/Printing	436.00	18,298.00	12,771.00	31,505.00
Total Direct Cost	235,653.00	4,493,516.00	3,137,804.00	7,866,973.00
Indirect Costs (Applied)	52,167.00	358,255.00	412,017.00	822,439.00
TOTAL EXPENDITURES	287,820.00	4,851,771.00	3,549,821.00	8,689,412.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	0.00	5,368.00	(18,474.00)	(13,106.00)

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - DEPARTMENT FOR AGING & INDEPENDENT LIVING
For the Year Ended June 30, 2014

	TOTAL AGING PROGRAMS	TOTAL HOMECARE	USDA NSIP	CMS SHIP	CAREGIVER GRAND-PARENTS	HEALTH BENEFITS EXCHANGE
REVENUES						
Federal Funds						
Title III-Admin	63,113.00	0.00	0.00	0.00	0.00	0.00
Title III B	194,049.00	0.00	0.00	0.00	0.00	0.00
Title III C1	129,821.00	0.00	0.00	0.00	0.00	0.00
Title III C2	201,919.00	0.00	0.00	0.00	0.00	0.00
Title III D	11,412.00	0.00	0.00	0.00	0.00	0.00
Title III E	68,743.00	0.00	0.00	0.00	0.00	0.00
NSIP	98,915.00	0.00	98,915.00	0.00	0.00	0.00
Title VII-Ombudsman	5,502.00	0.00	0.00	0.00	0.00	0.00
CDSME Grant	1,820.00	0.00	0.00	0.00	0.00	0.00
ACA Grant	30,409.00	0.00	0:00	0.00	0.00	30,409.00
Elder Abuse	3,135.00	0.00	0.00	0.00	0.00	0.00
FAST	2,881.00	0.00	0.00	0.00	0.00	0.00
Arthritis Grant	3,112.00	0.00	0.00	0.00	0.00	0.00
FEMA	150,729.00	0.00	0.00	0.00	0.00	0.00
MIPPA	6,955.00	0.00	0.00	0.00	0.00	0.00
MIPPA AAA	3,300.00	0.00	0.00	0.00	0.00	0.00
MIPPA SHIP	3,600.00	0.00	0.00	0.00	0.00	0.00
CMS SHIP	45,935.00	0.00	0.00	45,935.00	0.00	0.00
ADRC	2,300.00	0.00	0.00	0.00	0.00	0.00
Total Federal Funds	1,027,650.00	0.00	98,915.00	45,935.00	0.00	30,409.00
State Funds						
Title III-State	206,789.00	0.00	0.00	0.00	0.00	0.00
Long -Term Care	0.00	0.00	0.00	0.00	0.00	0.00
Homecare	813,564.00	813,564.00	0.00	0.00	0.00	0.00
Adult Day Care	19,288.00	0.00	0.00	0.00	0.00	0.00
Caregiver Grandparents	80,467.00	0.00	0.00	0.00	80,467.00	0.00
TBI Case Management	300.00	0.00	0.00	0.00	0.00	0.00
Consumer Directed Options	581,150.00	0.00	0.00	0.00	0.00	0.00
Personal Care Attend	493,101.00	0.00	0.00	0.00	0.00	0.00
Senior Games	3,470.00	0.00	0.00	0.00	0.00	0.00
Total State Funds	2,198,129.00	813,564.00	0.00	0.00	80,467.00	0.00
Total Federal & State Funds	3,225,779.00	813,564.00	98,915.00	45,935.00	80,467.00	30,409.00
In-Kind Space	15,937.00	15,937.00	0.00	0.00	0.00	0.00
Local Cash	1,392,910.00	12,595.00	0.00	0.00	0.00	0.00
Other Income	54,573.00	0.00	0.00	0.00	0.00	0.00
Program Income	167,940.00	10,367.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	4,857,139.00	852,463.00	98,915.00	45,935.00	80,467.00	30,409.00
EXPENDITURES						
Direct Expenditures						
Salaries	982,512.00	408,147.00	0.00	21,288.00	20,876.00	15,913.00
Fringe Benefits	538,872.00	223,827.00	0.00	11,345.00	11,547.00	8,390.00
Subcontractors	2,687,402.00	0.00	98,915.00	0.00	0.00	0.00
Travel	80,608.00	38,123.00	0.00	463.00	57.00	0.00
Supplies	22,502.00	3,661.00	0.00	978.00	0.00	0.00
Telephone	11,680.00	5,483.00	0.00	321.00	33.00	0.00
Training	8,198.00	145.00	0.00	22.00	0.00	0.00
Space Rent	12,300.00	4,733.00	0.00	652.00	333.00	0.00
In-Kind Space	15,937.00	15,937.00	0.00	0.00	0.00	0.00
Equipment/Eq Lease	1,946.00	0.00	0.00	182.00	0.00	0.00
Other Expense	113,261.00	2,661.00	0.00	1,377.00	39,037.00	0.00
Postage/Printing	18,298.00	1,270.00	0.00	1,793.00	420.00	0.00
Total Direct Expenditures	4,493,516.00	703,987.00	98,915.00	38,421.00	72,303.00	24,303.00
Indirect Costs (Applied)	358,255.00	148,476.00	0.00	7,514.00	7,695.00	6,106.00
TOTAL EXPENDITURES	4,851,771.00	852,463.00	98,915.00	45,935.00	79,998.00	30,409.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	5,368.00	0.00	0.00	0.00	469.00	0.00

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

CDSME GRANT	ADULT DAY CARE	PACESET/ SENIOR GAMES	PERSONAL CARE ATTEND	ADRC	MIPPA ADRC	MIPPA AAA	MIPPA SHIP
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	0.00	0.00
1,820.00	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	6,955.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	3,300.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,600.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	2,300.00	0.00	0.00	0.00
1,820.00	0.00	0.00	0.00	2,300.00	6,955.00	3,300.00	3,600.00
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	19,288.00	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	493,101.00	0.00	0.00	0.00	0.00
0.00	0.00	3,470.00	0.00	0.00	0.00	0.00	0.00
0.00	19,288.00	3,470.00	493,101.00	0.00	0.00	0.00	0.00
1,820.00	19,288.00	3,470.00	493,101.00	2,300.00	6,955.00	3,300.00	3,600.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	35,056.00	0.00	0.00	208.00	225.00	0.00	0.00
0.00	5,915.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	3,305.00	0.00	0.00	0.00	0.00	0.00	0.00
1,820.00	63,564.00	3,470.00	493,101.00	2,508.00	7,180.00	3,300.00	3,600.00
471.00	3,798.00	0.00	15,728.00	1,155.00	3,448.00	1,728.00	1,871.00
245.00	2,081.00	0.00	8,613.00	551.00	1,738.00	950.00	1,029.00
0.00	55,691.00	0.00	461,891.00	0.00	0.00	0.00	0.00
841.00	0.00	0.00	0.00	18.00	0.00	0.00	0.00
106.00	0.00	3,470.00	0.00	35.00	247.00	0.00	0.00
0.00	12.00	0.00	0.00	62.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	500.00	0.00	0.00
0.00	56.00	0.00	333.00	12.00	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	521.00	0.00	521.00	264.00	0.00	0.00	0.00
0.00	19.00	0.00	146.00	39.00	0.00	0.00	0.00
1,663.00	62,178.00	3,470.00	487,232.00	2,136.00	5,933.00	2,678.00	2,900.00
157.00	1,386.00	0.00	5,719.00	372.00	1,247.00	600.00	650.00
1,820.00	63,564.00	3,470.00	492,951.00	2,508.00	7,180.00	3,278.00	3,550.00
0.00	0.00	0.00	150.00	0.00	0.00	22.00	50.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
STATEMENT OF REVENUES AND EXPENDITURES - DEPARTMENT FOR AGING & INDEPENDENT LIVING
For the Year Ended June 30, 2014

REVENUES	CDO MEDICAID	FAST	ARTHRITIS	UMWA	FEMA DISASTER
Federal Funds					
Title III-Admin	0.00	0.00	0.00	0.00	0.00
Title III B	0.00	0.00	0.00	0.00	0.00
Title III C1	0.00	0.00	0.00	0.00	0.00
Title III C2	0.00	0.00	0.00	0.00	0.00
Title III D	0.00	0.00	0.00	0.00	0.00
Title III E	0.00	0.00	0.00	0.00	0.00
NSIP	0.00	0.00	0.00	0.00	0.00
Title VII-Ombudsman	0.00	0.00	0.00	0.00	0.00
CDSME Grant	0.00	0.00	0.00	0.00	0.00
ACA Grant	0.00	0.00	0.00	0.00	0.00
Elder Abuse	0.00	0.00	0.00	0.00	0.00
FAST	0.00	2,881.00	0.00	0.00	0.00
Arthritis Grant	0.00	0.00	3,112.00	0.00	0.00
FEMA	0.00	0.00	0.00	0.00	150,729.00
MIPPA	0.00	0.00	0.00	0.00	0.00
MIPPA AAA	0.00	0.00	0.00	0.00	0.00
MIPPA SHIP	0.00	0.00	0.00	0.00	0.00
CMS SHIP	0.00	0.00	0.00	0.00	0.00
ADRC	0.00	0.00	0.00	0.00	0.00
Total Federal Funds	0.00	2,881.00	3,112.00	0.00	150,729.00
State Funds					
Title III-State	0.00	0.00	0.00	0.00	0.00
Long -Term Care	0.00	0.00	0.00	0.00	0.00
Homecare	0.00	0.00	0.00	0.00	0.00
Adult Day Care	0.00	0.00	0.00	0.00	0.00
Caregiver Grandparents	0.00	0.00	0.00	0.00	0.00
TBI Case Management	300.00	0.00	0.00	0.00	0.00
Consumer Directed Options	581,150.00	0.00	0.00	0.00	0.00
Personal Care Attend	0.00	0.00	0.00	0.00	0.00
Senior Games	0.00	0.00	0.00	0.00	0.00
Total State Funds	581,450.00	0.00	0.00	0.00	0.00
Total Federal & State Funds	581,450.00	2,881.00	3,112.00	0.00	150,729.00
In-Kind Space	0.00	0.00	0.00	0.00	0.00
Local Cash	(166,606.00)	0.00	0.00	342,861.00	0.00
Other Income	41,001.00	0.00	0.00	0.00	6,964.00
Program Income	0.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	455,845.00	2,881.00	3,112.00	342,861.00	157,693.00
EXPENDITURES					
Direct Expenditures					
Salaries	204,853.00	371.00	0.00	165,153.00	19,579.00
Fringe Benefits	112,377.00	215.00	0.00	91,101.00	10,624.00
Subcontractors	30,616.00	0.00	0.00	0.00	103,203.00
Travel	10,804.00	0.00	0.00	23,059.00	80.00
Supplies	1,275.00	2,156.00	1,410.00	252.00	4,668.00
Telephone	786.00	0.00	0.00	0.00	3,224.00
Training	0.00	0.00	1,702.00	685.00	0.00
Space Rent	3,329.00	0.00	0.00	0.00	434.00
In-Kind Space	0.00	0.00	0.00	0.00	0.00
Equipment/Eq Lease	207.00	0.00	0.00	0.00	284.00
Other Expense	10,435.00	0.00	0.00	2,107.00	2,600.00
Postage/Printing	6,251.00	0.00	0.00	1.00	5,990.00
Total Direct Expenditures	380,933.00	2,742.00	3,112.00	282,358.00	150,686.00
Indirect Costs (Applied)	74,762.00	129.00	0.00	60,503.00	7,007.00
TOTAL EXPENDITURES	455,695.00	2,871.00	3,112.00	342,861.00	157,693.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	150.00	10.00	0.00	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 - DEPARTMENT FOR AGING & INDEPENDENT LIVING
For the Year Ended June 30, 2014

	TOTAL TITLE III	TITLE III ADM	TITLE IIIB	TITLE III-E CAREGIVER
REVENUES				
Federal Funds				
Title III-Admin	63,113.00	63,113.00	0.00	0.00
Title IIIB	194,049.00	0.00	194,049.00	0.00
Title IIIC1	129,821.00	0.00	0.00	0.00
Title IIIC2	201,919.00	0.00	0.00	0.00
Title IIID	11,412.00	0.00	0.00	0.00
Title IIIE	68,743.00	0.00	0.00	68,743.00
Title VII-Ombudsman	5,502.00	0.00	0.00	0.00
MIPPA AOA/ACA SHIP	0.00	0.00	0.00	0.00
CMS SHIP/MIPPA CMS SHIP	0.00	0.00	0.00	0.00
Elder Abuse	3,135.00	0.00	0.00	0.00
Total Federal Funds	677,694.00	63,113.00	194,049.00	68,743.00
State Funds				
Title III-State	206,789.00	28,366.00	33,890.00	26,346.00
State Support Funds	0.00	0.00	0.00	0.00
ADRC	0.00	0.00	0.00	0.00
Consumer Directed Options	0.00	0.00	0.00	0.00
Long -Term Care	0.00	0.00	0.00	0.00
Elderly Readiness	0.00	0.00	0.00	0.00
Total State Funds	206,789.00	28,366.00	33,890.00	26,346.00
Total Federal & State Funds	884,483.00	91,479.00	227,939.00	95,089.00
Local Cash	1,168,571.00	0.00	269,946.00	0.00
Other Income	693.00	693.00	0.00	0.00
Program Income	154,268.00	0.00	7,219.00	0.00
TOTAL REVENUES	2,208,015.00	92,172.00	505,104.00	95,089.00
EXPENDITURES				
Direct Cost				
Salaries	98,133.00	40,144.00	20,843.00	20,202.00
Fringe Benefits	54,239.00	22,413.00	11,345.00	11,252.00
Subcontractors	1,937,086.00	0.00	459,798.00	0.00
Space Rent	2,418.00	796.00	345.00	721.00
Equipment/Eq Lease	1,273.00	0.00	237.00	636.00
Training	5,144.00	5,144.00	0.00	0.00
Travel	7,163.00	3,662.00	1,206.00	303.00
Other Expense	53,738.00	2,279.00	1,853.00	47,599.00
Telephone	1,759.00	1,556.00	112.00	33.00
Postage/Printing	2,369.00	1,238.00	267.00	499.00
Supplies	4,244.00	128.00	878.00	2,558.00
Total Direct Cost	2,167,566.00	77,360.00	496,884.00	83,803.00
Indirect Cost (Applied)	35,932.00	14,812.00	7,520.00	7,469.00
TOTAL EXPENDITURES	2,203,498.00	92,172.00	504,404.00	91,272.00
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	4,517.00	0.00	700.00	3,817.00

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

TITLE III CI	TITLE III CII	TITLE IIID	TITLE VII ELDER ABUSE	TITLE VII OMBUDS-MAN	LTCO
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
129,821.00	0.00	0.00	0.00	0.00	0.00
0.00	201,919.00	0.00	0.00	0.00	0.00
0.00	0.00	11,412.00	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	5,502.00	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	3,135.00	0.00	0.00
129,821.00	201,919.00	11,412.00	3,135.00	5,502.00	0.00
41,499.00	47,063.00	1,206.00	553.00	971.00	26,895.00
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
41,499.00	47,063.00	1,206.00	553.00	971.00	26,895.00
171,320.00	248,982.00	12,618.00	3,688.00	6,473.00	26,895.00
163,377.00	735,248.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
91,221.00	55,828.00	0.00	0.00	0.00	0.00
425,918.00	1,040,058.00	12,618.00	3,688.00	6,473.00	26,895.00
0.00	0.00	1,246.00	1,562.00	2,742.00	11,394.00
0.00	0.00	648.00	854.00	1,499.00	6,228.00
425,918.00	1,040,058.00	10,260.00	105.00	184.00	763.00
0.00	0.00	0.00	55.00	97.00	404.00
0.00	0.00	0.00	40.00	70.00	290.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	198.00	348.00	1,446.00
0.00	0.00	0.00	200.00	351.00	1,456.00
0.00	0.00	0.00	6.00	10.00	42.00
0.00	0.00	0.00	36.00	64.00	265.00
0.00	0.00	60.00	62.00	108.00	450.00
425,918.00	1,040,058.00	12,214.00	3,118.00	5,473.00	22,738.00
0.00	0.00	404.00	570.00	1,000.00	4,157.00
425,918.00	1,040,058.00	12,618.00	3,688.00	6,473.00	26,895.00
0.00	0.00	0.00	0.00	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 - HOMECARE
For the Year Ended June 30, 2014

	TOTAL	HOMECARE ADM	DIRECT HOMECARE CASE MGT
REVENUES			
Federal Funds			
CMS-SHIP/MFP	0.00	0.00	0.00
Title III-D	0.00	0.00	0.00
Contract Income	0.00	0.00	0.00
NSIP	0.00	0.00	0.00
Total Federal Funds	0.00	0.00	0.00
State Funds			
Homecare	813,564.00	72,371.00	741,193.00
Adult Day Care	0.00	0.00	0.00
Elderly Readiness	0.00	0.00	0.00
ADRM	0.00	0.00	0.00
Consumer Directed Options	0.00	0.00	0.00
Fuel Subsidy	0.00	0.00	0.00
Total State Funds	813,564.00	72,371.00	741,193.00
Total Federal & State Funds	813,564.00	72,371.00	741,193.00
In-Kind Space	15,937.00	0.00	15,937.00
Other Income	0.00	0.00	0.00
Local Cash	12,595.00	7,686.00	4,909.00
Program Income	10,367.00	0.00	10,367.00
TOTAL REVENUES	852,463.00	80,057.00	772,406.00
EXPENDITURES			
Direct Cost			
Salaries	408,147.00	40,818.00	367,329.00
Fringe Benefits	223,827.00	22,433.00	201,394.00
Subcontractors	0.00	0.00	0.00
Space Rent	4,733.00	555.00	4,178.00
In-Kind Space	15,937.00	0.00	15,937.00
Travel	38,123.00	181.00	37,942.00
Telephone	5,483.00	129.00	5,354.00
Postage/Printing	1,270.00	371.00	899.00
Supplies	3,661.00	44.00	3,617.00
Training	145.00	0.00	145.00
Other Expense	2,661.00	694.00	1,967.00
Equipment/Eq Lease	0.00	0.00	0.00
Total Direct Cost	703,987.00	65,225.00	638,762.00
Indirect Cost (Applied)	148,476.00	14,832.00	133,644.00
TOTAL EXPENDITURES	852,463.00	80,057.00	772,406.00
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	0.00	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 - OTHER PROGRAMS
For the Year Ended June 30, 2014

	TOTAL OTHER PROGRAMS	COMM. COLLABORATIVE FOR CHILDREN	CASEY FOUND-DATION JCCOH	PROJECT DEVELOPMENT	TANF - KENTUCKY WORKS
REVENUES					
Federal Funds	2,888,059.00	149,478.00	0.00	84,172.00	2,653,204.00
State Funds	136,257.00	0.00	0.00	69,375.00	0.00
Local Cash	31,634.00	27,077.00	0.00	72,316.00	0.00
Contract Income	102,527.00	0.00	0.00	77,527.00	0.00
Other Income	365,039.00	0.00	210,456.00	0.00	101,482.00
Interest Income	7,831.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	3,531,347.00	176,555.00	210,456.00	303,390.00	2,754,686.00
EXPENDITURES					
Direct Cost					
Salaries	1,141,583.00	73,410.00	0.00	110,724.00	914,032.00
Fringe Benefits	619,475.00	40,202.00	0.00	54,924.00	500,257.00
Subcontracts	543,612.00	5,000.00	210,456.00	74,487.00	253,669.00
Space Rent	81,342.00	1,387.00	0.00	3,107.00	75,461.00
Travel	133,648.00	8,466.00	0.00	9,492.00	109,696.00
Equipment/Eq Lease	16,331.00	632.00	0.00	1,680.00	12,384.00
Telephone	32,215.00	328.00	0.00	1,687.00	30,131.00
Training	4,160.00	840.00	0.00	300.00	2,785.00
Supplies	16,429.00	317.00	0.00	849.00	15,173.00
Other Expense	57,407.00	18,361.00	0.00	5,815.00	21,804.00
Interest Expense	0.00	0.00	0.00	0.00	0.00
Postage/Printing	12,771.00	885.00	0.00	4,291.00	7,107.00
Short Term Training	123,421.00	0.00	0.00	0.00	123,421.00
Wage Subsidy	275,550.00	0.00	0.00	0.00	275,550.00
Transportation	79,860.00	0.00	0.00	0.00	79,860.00
Total Direct Cost	3,137,804.00	149,828.00	210,456.00	267,356.00	2,421,330.00
Indirect Costs (Applied)	412,017.00	26,727.00	0.00	36,053.00	333,356.00
TOTAL EXPENDITURES	3,549,821.00	176,555.00	210,456.00	303,409.00	2,754,686.00
EXCESS REVENUE OVER/ (UNDER) EXPENDITURES	(18,474.00)	0.00	0.00	(19.00)	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 - OTHER PROGRAMS
For the Year Ended June 30, 2014

	TRANS-PORTATION PLANNING	KHC/ MOUNTAIN HOUSING	WATER TAP REVOLVING FUND	EDA REVOLVING FUND	LOCAL/ ADM
REVENUES					
Federal Funds	1,205.00	0.00	0.00	0.00	0.00
State Funds	66,882.00	0.00	0.00	0.00	0.00
Local Cash	0.00	0.00	0.00	0.00	(67,759.00)
Contract Income	0.00	25,000.00	0.00	0.00	0.00
Other Income	4,550.00	0.00	45.00	0.00	48,506.00
Interest Income	0.00	0.00	0.00	7,510.00	321.00
TOTAL REVENUES	72,637.00	25,000.00	45.00	7,510.00	(18,932.00)
EXPENDITURES					
Direct Cost					
Salaries	33,345.00	10,072.00	0.00	0.00	0.00
Fringe Benefits	18,488.00	5,604.00	0.00	0.00	0.00
Subcontracts	0.00	0.00	0.00	0.00	0.00
Space Rent	943.00	444.00	0.00	0.00	0.00
Travel	5,265.00	456.00	0.00	0.00	273.00
Equipment/Eq Lease	1,635.00	0.00	0.00	0.00	0.00
Telephone	14.00	55.00	0.00	0.00	0.00
Training	235.00	0.00	0.00	0.00	0.00
Supplies	43.00	0.00	0.00	0.00	47.00
Other Expense	193.00	0.00	799.00	3,011.00	7,424.00
Interest Expense	0.00	0.00	0.00	0.00	0.00
Postage/Printing	249.00	219.00	0.00	0.00	20.00
Short Term Training	0.00	0.00	0.00	0.00	0.00
Wage Subsidy	0.00	0.00	0.00	0.00	0.00
Transportation	0.00	0.00	0.00	0.00	0.00
Total Direct Cost	60,410.00	16,850.00	799.00	3,011.00	7,764.00
Indirect Costs (Applied)	12,227.00	3,654.00	0.00	0.00	0.00
TOTAL EXPENDITURI	72,637.00	20,504.00	799.00	3,011.00	7,764.00
EXCESS REVENUE OVER/ (UNDER) EXPENDITI	0.00	4,496.00	(754.00)	4,499.00	(26,696.00)

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, 2014

	COMM ECONOMIC DEVELOPMENT	DEVELOP BLOCK GRANT	ARC PLANNING & ASSISTANCE	ED ADM	PROGRAM ADM	TOTAL JFA
REVENUES						
Federal Funds	62,900.00	15,500.00	76,027.00	0.00	0.00	154,427.00
State Funds	15,730.00	15,500.00	84,976.00	0.00	0.00	116,206.00
State Unmatched	0.00	0.00	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	3,848.00	241.00	0.00	4,089.00
Local Funds	10,635.00	0.00	0.00	0.00	2,463.00	13,098.00
TOTAL REVENUES	89,265.00	31,000.00	164,851.00	241.00	2,463.00	287,820.00
EXPENDITURES						
Salaries	43,290.00	15,282.00	84,423.00	0.00	1,270.00	144,265.00
Fringe Benefits	23,665.00	8,325.00	46,133.00	0.00	697.00	78,820.00
Service Contracts	0.00	0.00	0.00	0.00	0.00	0.00
Travel	4,626.00	375.00	511.00	207.00	0.00	5,719.00
Space Rent	999.00	388.00	2,663.00	0.00	0.00	4,050.00
Supplies	0.00	0.00	0.00	0.00	0.00	0.00
Telephone	43.00	0.00	0.00	0.00	0.00	43.00
Training	700.00	632.00	525.00	0.00	0.00	1,857.00
Equipment/Eq Lease	0.00	0.00	0.00	0.00	0.00	0.00
Other Expense	0.00	463.00	0.00	0.00	0.00	463.00
Postage/Printing	367.00	1.00	4.00	34.00	30.00	436.00
Total Direct Cost	73,690.00	25,466.00	134,259.00	241.00	1,997.00	235,653.00
Indirect Costs (Applied)	15,575.00	5,534.00	30,592.00	0.00	466.00	52,167.00
TOTAL EXPENDITURES	89,265.00	31,000.00	164,851.00	241.00	2,463.00	287,820.00
EXCESS REVENUES OVER/ (UNDER) EXPENDITURES	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	89,265.00	31,000.00	164,851.00	241.00	2,463.00	287,820.00
TOTAL BUDGET	85,618.00	31,000.00	167,691.00	0.00	2,436.00	286,745.00
(OVER)/UNDER BUDGET	(3,647.00)	0.00	2,840.00	(241.00)	(27.00)	(1,075.00)

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, 2014

INDIRECT COST

Salaries	345,392.00
Employee Benefits	194,316.00
Service Contracts	5,093.00
Travel	16,992.00
Space Rental	34,165.00
Equipment/Eq Lease	4,714.00
Telephone	24,270.00
Utilities	26,147.00
Contract Labor	0.00
Maintenance	29,098.00
Supplies	9,215.00
Postage/Printing	5,917.00
Other Expense	78.00
Training	3,453.00
Depreciation	25,989.00
Board Expense	5,423.00
Fees, Dues & Publications	24,766.00
Insurance	67,411.00
Total Indirect Cost	822,439.00

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, 2014

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2013	RECEIPTS	DISBURSE-MENTS	CASH ACCRUED JUNE 30, 2014
U.S. Department of Health and Human Services						
Passed through Kentucky Cabinet for Health and Family Services						
Title III B	93.044	213,332	-	213,332.00	213,332.00	-
Title III C	93.045	367,385	-	367,385.00	367,385.00	-
NSIP	93.053	98,915	-	98,915.00	98,915.00	-
			-	679,632.00	679,632.00	0.00
Title VII - Elder Abuse	93.041	3,135	-	3,135.00	3,135.00	-
Ombudsman Education	93.042	5,502	-	5,502.00	5,502.00	-
Title III D	93.043	12,914	-	11,412.00	11,412.00	-
Aging and Disability Resource Center	93.048	2,300	-	2,300.00	2,300.00	-
Caregiver Support Title IIIE	93.052	79,038	-	76,928.00	68,743.00	-
Functional Assessment Service Team	93.069	3,000	-	2,881.00	2,871.00	10.00
CMS-SHIP	93.779	45,935	-	45,935.00	45,935.00	-
Improving Arthritis Outcomes	93.945	7,000	-	3,112.00	3,112.00	-
MIPPA AAA/SHIP/ADRC	93.071	37,279	-	13,855.00	13,783.00	72.00
Health Benefits Exchange	93.525	48,263		30,409.00	30,409.00	
Chronic Disease Self Management	93.725	9,554		1,820.00	1,820.00	
Title IV-B	93.556	54,005	-	48,249.00	48,249.00	-
Community Based Child Abuse Prevention	93.590	162,014	-	101,909.00	101,909.00	-
Temporary Assistance to Needy Families (KY Works)	93.558	3,300,628	-	2,653,204.00	2,653,204.00	-
Total U.S. Department of Health and Human Services			-	3,680,283.00	3,672,016.00	8,267.00

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2013	RECEIPTS	DISBURSE-MENTS	CASH ACCRUED JUNE 30, 2014
U.S. Department of Commerce Economic Development Administration						
Passed through Department for Local Government (DLG):						
EDA - Planning Assistance	11.302	62,900	-	62,900.00	62,900.00	-
Economic Adjustment Assistance:						
EDA - Title IX EAAP - Revolving Loan Fund	11.307	500,000	-	0.00	316,537.00	(316,537.00)
Passed through Pennyrile ADD:						
KY Agriculture Information System Project	11.307	1,581	-	1,581.00	1,581.00	-
			-	1,581.00	318,118.00	(316,537.00)
U.S. Department of Commerce Economic Development Adm			-	64,481.00	381,018.00	(316,537.00)
U.S. Department of Transportation						
Passed through the Kentucky Transportation Cabinet:						
Highway Planning & Construction - Centerline Maintenance Program	20.205	11,000	-	1,205.00	1,205.00	-
U.S. Department of Transportation			-	1,205.00	1,205.00	-
U.S. Department of Agriculture						
Passed through Magoffin County Fiscal Court						
Rural Housing Service	10.766	750	-	750.00	750.00	-
Passed through the City of Wayland						
Rural Housing Service	10.766	750	-	750.00	750.00	-
U.S. Department of Agriculture			-	1,500.00	1,500.00	-

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

FEDERAL AGENCY	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH ACCRUED JULY 1, 2013	RECEIPTS	DISBURSE-MENTS	CASH ACCRUED JUNE 30, 2014
Appalachian Regional Commission (ARC)							
Appalachian Local Development District Assistance	23.009	77,686	-	76,027.00	76,027.00	-	
Total ARC			-	76,027.00	76,027.00	-	
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		600,000	-	150,729.00	150,729.00	-
Passed through the Kentucky Department of Homeland Security:							
Dawkins Rail Line	97.067		62,334	-	62,334.00	62,334.00	-
Passed through the City of Martin, Kentucky:							
Flood Mitigation Assistance	97.047		18,757	-	18,757.00	18,757.00	-
Total U.S. Department of Homeland Security				-	231,820.00	231,820.00	-
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	4,070,816.00	4,376,381.00	(305,565.00)

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

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

KY Works subrecipients - 100% federal		
Kentucky Educational Development Corporation	102,394.04	61-0659010
940 W Rose Road Ashland, KY 41102		
Russell County Board of Education	151,275.00	61-6001305
404 S Main Street Jamestown, KY 42629		
	253,669.04	
Aging:		
IIIB Subrecipients (federal share)		
Appalachian Research and Defense Fund of KY, Inc.	5,399.62	61-0849848
140 N Front Street Prestonsburg KY 41653		
Pike County Senior Citizens Program, Inc	49,943.52	61-1160806
PO Box 751 Pikeville KY 41502		
Martin County Senior Citizens, Inc	14,117.64	61-0060988
PO Box 631 Inez KY 41224		
Magoffin County Senior Citizens, Inc	21,646.63	61-1161769
PO Box 531 Salyersville KY 41465		
Johnson County Senior Citizens Program, Inc	19,210.09	61-1161767
PO Box 446 Paintsville KY 41240		
Floyd County Senior Citizens, Inc	44,549.28	61-1160817
149 S Central Ave Prestonsburg KY 41653		
	154,866.77	
CI Subrecipients (federal share)		
Pike County Senior Citizens Program, Inc	47,132.54	
Martin County Senior Citizens, Inc	11,254.10	
Magoffin County Senior Citizens, Inc	16,871.25	
Johnson County Senior Citizens Program, Inc	16,555.66	
Floyd County Senior Citizens, Inc	38,007.32	
	129,820.86	
CII subrecipients (federal share)		
Pike County Senior Citizens Program, Inc	68,469.36	
Martin County Senior Citizens, Inc	16,895.47	
Magoffin County Senior Citizens, Inc	29,125.20	
Johnson County Senior Citizens Program, Inc	26,344.44	
Floyd County Senior Citizens, Inc	61,084.27	
	201,918.74	
IIID subrecipients (federal share)		
Pike County Senior Citizens Program, Inc	3,310.77	
Martin County Senior Citizens, Inc	797.07	
Magoffin County Senior Citizens, Inc	871.68	
Johnson County Senior Citizens Program, Inc	824.13	
Floyd County Senior Citizens, Inc	3,475.67	
	9,279.32	
NSIP subrecipients - 100% federal		
Pike County Senior Citizens Program, Inc	46,857.00	
Martin County Senior Citizens, Inc	6,280.00	
Magoffin County Senior Citizens, Inc	6,770.00	
Johnson County Senior Citizens Program, Inc	10,660.00	
Floyd County Senior Citizens, Inc	28,348.00	
	98,915.00	

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

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2014

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

LYNETTE R. SCHINDLER, CPA, PSC
130 Scott Ave.
Pikeville, KY 41501
(606) 437-1025
Fax (606) 437-1026

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, 2014, 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 22, 2015.

Internal Control over Financial Reporting

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

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

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

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 22, 2015

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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, 2014. 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.

Board of Directors
January 22, 2015

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, 2014.

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 22, 2015

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

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

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:

Unmodified for all major programs

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

Major Programs:

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

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

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

U.S. DEPARTMENT OF HOMELAND SECURITY
CFDA: 97.008 Federal Emergency Management Agency (FEMA) - Nonprofit Security Program

BIG SANDY AREA DEVELOPMENT DISTRICT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

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.