

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC.

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023
with
REPORT OF INDEPENDENT AUDITORS**

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Cloyd & Associates, PSC

Certified Public Accountants

and

Business Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Harlan County Community Action Agency, Inc.

Harlan, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Harlan County Community Action Agency, Inc. (a nonprofit Agency), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Harlan County Community Action Agency, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harlan County Community Action Agency, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlan County Community Action Agency, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ABC Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlan County Community Action Agency, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 26, 2024, on our consideration of Harlan County Community Action Agency, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harlan County Community Action Agency, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harlan County Community Action Agency, Inc.'s internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC

London, Kentucky

January 26, 2024

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS		
Cash		\$ 716,047
Program receivables		<u>782,161</u>
	TOTAL CURRENT ASSETS	<u>1,498,208</u>
PROPERTY AND EQUIPMENT		
Land		155,075
Equipment		120,154
Vehicles		2,472,602
Improvements		919,120
Less: Accumulated depreciation		<u>(2,510,631)</u>
	TOTAL PROPERTY AND EQUIPMENT	<u>1,156,320</u>
	TOTAL ASSETS	<u>\$ 2,654,528</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		\$ 125,248
Accrued vacation payable		<u>62,661</u>
	TOTAL LIABILITIES	<u>187,909</u>
NET ASSETS		
Net assets with donor restriction		2,466,619
Net assets without donor restriction		<u>-</u>
	TOTAL NET ASSETS	<u>2,466,619</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,654,528</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUES GRANTS AND OTHER SUPPORT			
Grant income	\$ -	\$ 3,677,464	\$ 3,677,464
Program income	1,257,650	-	1,257,650
Interest income	125	-	125
Rental Income	12,930	-	12,930
Private donations	2,832	-	2,832
Other Income	10,911	-	10,911
In-kind donations	108,578	-	108,578
Net assets released from restrictions	<u>3,677,464</u>	<u>-</u>	<u>3,677,464</u>
TOTAL REVENUES	<u>5,070,490</u>	<u>-</u>	<u>5,070,490</u>
PROGRAM EXPENDITURES			
Community Services Block Grant Expense	350,046	-	350,046
Low Income Heating Energy Assistance Program	844,476	-	844,476
Transportation	1,663,084	-	1,663,084
Summer Food Service	26,833	-	26,833
Workforce Innovation and Opportunity Act	1,222,995	-	1,222,995
Supported Housing Continuum of Care	56,624	-	56,624
Emergency Solutions Grant Expense	52,391	-	52,391
Other Expenditures	<u>43,027</u>	<u>-</u>	<u>43,027</u>
Total program expenditures	4,259,476	-	4,259,476
Supporting services	<u>1,257,650</u>	<u>-</u>	<u>1,257,650</u>
TOTAL EXPENDITURES	<u>5,517,126</u>	<u>-</u>	<u>5,517,126</u>
CHANGE IN NET ASSETS	(446,636)	-	(446,636)
RESTATED NET ASSETS JULY 1, 2022	<u>2,913,255</u>	<u>-</u>	<u>2,913,255</u>
NET ASSETS JUNE 30, 2023	<u>\$ 2,466,619</u>	<u>\$ -</u>	<u>\$ 2,466,619</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
 STATEMENT OF FUNCTIONAL EXPENSE
 For the year ended June 30, 2023

	Program Services								Supporting Services			Total Program & Supporting Services		
	Local Funds	Supportive Housing Program	Emergency Solutions Grant	CSBG	Transportation	WOIA	Summer Feeding	LIHEAP	Total Program Services	Cost of Direct Benefit to Donors	Management & General		Fundraising	Total Supporting Services
Personnel	\$ -	\$ -	\$ -	\$ 204,257	\$ 1,154,782	\$ 347,625	\$ 6,436	\$ 56,675	\$ 1,769,775	\$ -	\$ 706,043	\$ -	\$ 706,043	\$ 2,475,818
Travel	-	-	-	7,931	3,420	1,357	1,087	-	13,795	-	-	-	-	13,795
Other	43,027	-	-	-	186,550	4,930	1,275	9,413	245,195	-	-	-	-	245,195
Minor equipment	-	-	-	-	68,288	952	-	-	69,240	-	-	-	-	69,240
Insurance	-	-	-	-	91,616	13,595	1,020	-	106,231	-	22,891	-	22,891	129,122
Professional fees	-	-	-	-	-	8,073	-	4,000	12,073	-	20,641	-	20,641	32,714
Contract /Consultants	-	-	-	2,500	-	-	-	-	2,500	-	-	-	-	2,500
Training and technical assistance	-	-	-	436	174,755	-	-	-	175,191	-	-	-	-	175,191
Client benefits	-	56,624	23,727	38,563	-	813,261	16,769	767,681	1,716,625	-	-	-	-	1,716,625
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	12,963	7,118	11,774	-	614	32,469	-	-	-	-	32,469
Repairs and maintenance	-	-	-	-	112,644	5,004	246	-	117,894	-	-	-	-	117,894
Equipment Lease	-	-	-	-	33,640	10,477	-	-	44,117	-	-	-	-	44,117
Depreciation	-	-	-	-	281,961	-	-	-	281,961	-	-	-	-	281,961
In-kind match	-	-	28,664	79,913	-	-	-	-	108,577	-	-	-	-	108,577
Office supplies	-	-	-	3,483	56,385	5,947	-	6,093	71,908	-	-	-	-	71,908
	<u>\$ 43,027</u>	<u>\$ 56,624</u>	<u>\$ 52,391</u>	<u>\$ 350,046</u>	<u>\$ 2,171,159</u>	<u>\$ 1,222,995</u>	<u>\$ 26,833</u>	<u>\$ 844,476</u>	<u>\$ 4,767,551</u>	<u>\$ -</u>	<u>\$ 749,575</u>	<u>\$ -</u>	<u>\$ 749,575</u>	<u>\$ 5,517,126</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (446,636)
Noncash (income) expenses included in net income:	
Depreciation	281,961
Change in assets and liabilities:	
Increase in program receivables	227,899
Increase in accounts payable	40,903
Decrease in accrued vacation payable	<u>(11,838)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>92,289</u>
 CASH FLOW FROM INVESTING ACTIVITIES	
Increase in Property Plant, and Equipment	<u>(280,617)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(280,617)</u>
 NET INCREASE IN CASH	(188,328)
 CASH AND CASH EQUIVALENTS - JULY 1, 2022	<u>904,375</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2023	<u>\$ 716,047</u>
 SUPPLEMENTAL DATA	
Interest paid during the year	<u>\$ -</u>

Note 1 - Summary of Significant Accounting Policies

The Reporting Entity

Harlan County Community Action Agency, Inc. (Agency) was incorporated in 1969 as a not-for-profit corporation. Funding is provided primarily through grants and transportation services. The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Agency is the stimulation of social, individual, and economic growth in Harlan County.

The specific major programs and services provided by the Agency include the following:

Community Services Block Grant (CSBG): The CSBG program assists low-income, including the elderly and poor, to identify and solve problems that block the achievement of self-sufficiency and pursuit of improved living conditions.

Emergency Solutions Grant (ESG): The (ESG) program provides homelessness prevention assistance to households who would otherwise become homeless and provides assistance to rapidly rehouse persons who are homeless.

Low-Income Heat Energy Assistance Program (LIHEAP): The LIHEAP program provides assistance with home energy, water and sewer costs to low-income participants.

Transportation: The transportation is funded by the Kentucky Transportation Cabinet to provide general purpose transportation to all service area residents for employment, medical care, education, etc. The program concentrates on the elderly and disabled.

Workforce Innovation and Opportunity Act (WIOA): The WIOA program is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy.

Basis of Accounting

The Agency uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, and expenditures are recognized in the period in which the liability is incurred.

The Agency maintains a separate set of accounting records for each individual grant. The Agency has prepared its financial statements in accordance with Accounting Standard Codification (ASC). Under ASC, the Agency is required to report information regarding its financial position and activity according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The only limits on net assets without donor restrictions are those resulting from the nature of the Agency and its purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are transitory in nature, such as those that will be met by the passage of time other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues and support are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed, or both) are reported as reclassifications between the applicable classes of net assets.

Contributions: Contributions received by the Agency are recorded as revenue that increases net assets with or without donor restrictions, depending on the existence or nature, or both, of any donor-imposed restrictions. All donor-restricted support is recorded as an increase to net assets with donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional contributions and classified as either net assets with donor restrictions or net assets without donor restrictions.

Grant Revenue Recognition: The Agency receives grants from the federal and state governments and various other grantors for direct and indirect program costs associated with specific programs and projects. The grants received from the federal and state governments are subject to certain restrictions, which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged, and the funds are released from restriction when the qualifying expenses have been incurred. For conditional grants, when the donor conditions are substantially met the revenue is recognized as contribution revenue that increases net assets with donor restrictions and the funds are released from restrictions when the qualifying expenses have been incurred.

Administrative Cost

The grantee follows the cost limitations as set forth by the Cabinet for Health and Family Services.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property is recorded at market value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Agency generally capitalizes property or equipment with costs more than \$5,000. Vehicles of the Agency are titled and insured in the name of the Agency, however the federal and/or state funding sources retain an interest in the vehicles, therefore the vehicles cannot be disposed of without the permission of the funding sources.

Program Receivables

Program receivables are stated at their net realizable value.

Contributed Materials and Services- In-Kind Revenue and Expense

Materials, supplies, volunteer labor and space are donated to the Agency to assist in the Community programs. The Agency has maintained records of these donations. The value of these donations is estimated based on the cost of comparable materials, labor, and space. At June 30, 2023, the recorded value for these items is \$108,578.

Note 1 - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

GASB Statement No. 87, Leases was issued to improve accounting and financial reporting for leases by governments, by establishing standards for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources. All non-cancelable leases are related to office equipment and are not substantial.

Cash

Cash and cash equivalents for purposes of the statement of cash flow include all cash accounts and certificates of deposits of the Agency.

Functional Allocation of Expenses

The cost of operating the various programs has been summarized on a functional basis in the Statement of Functional Expense. Accordingly, certain costs have been allocated among the programs benefited. The Agency's operations are funded almost entirely through grants and contracts.

Note 2 - Deposits

The Agency maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The depository institutions pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. Total cash deposits at June 30, 2023, were \$1,486,944 with a carrying value of \$716,047.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2023</u>
Land	\$ 155,075	\$ -	\$ -	\$ 155,075
Vehicles	2,191,985	280,617	-	2,472,602
Equipment	120,154	-	-	120,154
Improvements	<u>919,120</u>	<u>-</u>	<u>-</u>	<u>919,120</u>
Total cost	<u>3,386,334</u>	<u>280,617</u>	<u>-</u>	<u>3,666,951</u>
Less accumulated depreciation	<u>(2,228,670)</u>	<u>(281,961)</u>	<u>-</u>	<u>(2,510,631)</u>
Capital assets, net	<u>\$ 1,157,664</u>	<u>\$ (1,344)</u>	<u>\$ -</u>	<u>\$ 1,156,320</u>

Note 4 - Tax Status

The Agency is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code and is not considered a private foundation. It is management's opinion that there are no uncertain tax positions that qualify for disclosures in financial statements. Tax years remaining open for examination by the Internal Revenue Service are years ending June 30, 2018 through June 30, 2023.

Note 5 - Compensated Absences

The Agency's employees are permitted to accrue a specific number of hours of vacation based on Agency policy. The Agency allows for carryover from year-to-year, therefore, the Agency records a liability for this account. The liability was \$62,661 at June 30, 2023.

Note 6 - Concentrations

The Agency's operations are subject to the contracts, directives, rules, and regulations of various federal, state, and other agencies. These contracts are negotiated on an annual basis. If these contracts were not renewed, their loss would seriously impair the ability of the Agency to continue operations.

The Agency maintains bank accounts at two banks. At June 30, 2023, the accounts were insured by both the FDIC (\$250,000) and additional pledged securities held in the Agency's name. The coverage by the FDIC and additional pledged securities was sufficient to provide complete coverage.

Note 7 - Retirement Plan

The Agency is a participating employer of the County Employees' Retirement System (CERS). Under provisions of Kentucky Revised Statute Section 61.645.

CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate. The plan provides plan members with benefits through a pension trust and an insurance trust. The pension trust provides retirement, disability, and death benefits. The insurance trust provides health insurance or other postemployment benefits (OPEB). Benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature.

Contributions

For the year ended June 30, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding July 1 of a new biennium. The Board may amend contribution rates as of July 1 of the second year of a new biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% (23.40% to the pension fund and 3.39% to the insurance fund) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the Plan contribute a set percentage of their salary each month to their own account.

Note 7 - Retirement Plan (Continued)

Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The Agency contributed \$399,425 for the year ended June 30, 2023, or 100% of the required contribution.

General information about the County Employees Retirement System Non-Hazardous (CERS)

Benefits provided CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Funding Policy

Funding for the plan is provided through payroll withholdings and matching Agency contributions. The Agency contributes 23.40% of the employee's total compensation subject to contribution. COLA are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years of earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are provided in one lump sum payment of \$5,000.

Note 7 - Retirement Plan (Continued)

Five years of service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit or \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years of service is required for nonservice-related disability benefits.

Pension Liabilities

At June 30, 2023, the Agency estimates that its total unfunded liability would be approximately \$3,489,879, based upon its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Agency's proportion was 0.048276%. The liability is not recorded on the Agency's financial statements, in accordance with FASB standards.

OPEB Liabilities

At June 30, 2023, the Agency estimates that its total unfunded liability would be approximately \$957,253, based upon its proportionate share of the total OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net OPEB liability was based on a projection of the Agency's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Agency's proportion was 0.048505%. The liability is not recorded on the Agency's financial statements, in accordance with FASB standards.

Actuarial Assumptions

The total pension and OPEB liabilities in the June 30, 2022, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	
Investment rate of return	6.25%, net of plan investment expense, including inflation
Healthcare trend	
Pre-65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Post-65	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025

Mortality rates were based on the PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013 through 2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2021. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010. The actuarial assumption used in the June 30, 2021, valuation was based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2019. The total pension and OPEB liabilities were rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rates of return are developed for each asset class.

Note 7 - Retirement Plan (Continued)

Pension Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

OPEB Discount Rate

The discount rate used to measure the total OPEB liability was 5.70% for the year ended June 30, 2022, for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 7.10%, and a municipal bond rate of 3.37%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial study.

Note 8 - Liquidity and Availability of Financial Assets

The following reflects the Agency's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year end:	\$ 716,047
Less those available for general expenditures within one year due to doner imposed restrictions:	<u> -</u>
Financial assets available to met cash needs for general expenditures withing one year	<u><u>\$ 716,047</u></u>

The Agency does not have a formal liquidity management plan.

Note 9 - Restrictions on Net Assets

The Agency receives grant funds annually from the federal government and other non-federal Agency's. Grant income of \$3,677,464 was earned in fiscal year 2023. Grant funds that are still held by the Agency to satisfy their program restrictions are presented in the accompanying financial statements as net assets with donor restrictions and total \$2,466,619, as of June 30, 2023.

Note 10 - Contingencies

The Agency is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of management and the Agency's legal counsel, that any losses not covered by insurance which may ultimately be incurred as a result of the suits and claims, will not be material.

Note 10 – Contingencies – (Continued)

The Agency depends on grants from federal, state and local agencies for its continued existence. The Agency participates in numerous state and federal grant programs which are governed by various rules and regulations of the funding agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the funding agencies. Therefore, to the extent that the Agency has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any accounts receivable for government grants at June 30, 2023 may be impaired.

The Agency participates in a multiemployer pension and other post employer benefits plan that is currently underfunded. Management believes it is reasonably possible that the employer's contribution could be increased to make up a shortfall necessary to maintain the negotiated level of benefit coverage.

Note 11 – COVID-19 Pandemic

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The District currently has measures in place to move to nontraditional instruction, if needed. The extent to which COVID-19 may impact the District will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the District has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2023.

Note 12 – Prior Period Adjustment

In the past, the agency had viewed budget carryovers of federal grants as unearned revenue. However after review of accounting standards, the Agency determined that these amounts do not meet the definition of unearned revenue and should have been recorded as revenue within the current period.

A prior period adjustment was made to reduce unearned revenue in the amount of \$1,314,071 and increase net assets as of June 30, 2022. Further, an additional prior period adjustment was made to correct June 30, 2022 accounts payable by reducing accounts payable at June 30, 2022 and increasing net assets in the amount of \$11,839.

Note 13 -Subsequent Events

Subsequent events have been evaluated through January 26, 2024, which is the date the financial statements were available to be issued. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
BALANCE SHEET
WIOA CONTRACT #DTR 21005 ALN 17.258, 17.259, 17.278,17.277
For the year ended June 30, 2023

ASSETS

Cash and cash equivalents	\$	87,728
AR EKCEP		271,316
Due from other funds		<u>7,053</u>

Total assets \$ 366,097

LIABILITIES AND FUND BALANCES

Liabilities

Total liabilities -

Total fund balances 366,097

Total liabilities and fund balances \$ 366,097

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WIOA CONTRACT #DTR 21005 ALN 17.258, 17.259, 17.278,17.277
For the year ended June 30, 2023

									Cumulative Total
Revenues									
EKCEP									\$ 1,222,918
Interest Income									<u>77</u>
Total revenues									1,222,995
	Adults 17.258	Dislocated Workers 17.278	Out of School Youth 17.259	NEG CL 17.277	In School	COVID 17.277	H1B	WE Prosper Private	
Expenditures									
Wages & benefits	\$ 118,561	\$ 67,634	\$ 482,764	\$ -	\$ 77,940	-	-	37,743	\$ 784,642
Maintenance	2,617	661	2,679	-	-	-	-	-	5,957
Equipment rental	2,410	943	7,124	-	-	-	-	-	10,477
Insurance	4,215	1,767	7,613	-	-	-	-	-	13,595
Supplies	2,795	1,130	2,022	-	-	-	-	-	5,947
Utilities	4,239	1,742	5,793	-	-	-	-	-	11,774
Audit	2,769	1,131	4,173	-	-	-	-	-	8,073
Usage fee	3,500	1,430	-	-	-	-	-	-	4,930
Travel	-	-	1,357	-	-	-	-	-	1,357
Tuition	16,164	13,340	119,590	-	-	2,000	-	-	151,094
Support services	14,001	3,678	125,345	-	-	1,538	-	-	144,562
OJT	18,955	-	-	-	2,396	-	-	-	21,351
Other	53,845	87	5,304	-	-	-	-	-	59,236
Total expenditures	\$ 244,071	\$ 93,543	\$ 763,764	\$ -	\$ 80,336	\$ 3,538	\$ -	\$ 37,743	1,222,995
Excess (deficit) of revenues over expenditures									<u>-</u>
Net change in fund balance									<u>-</u>
Fund balance July 1, 2022									366,097
Plus: Prior year obligations									\$ -
Less: Funds returned									-
Less: Obligations at June 30, 2023									<u>-</u>
Fund balance June 30, 2023									\$ 366,097

HARLAN COUNTY COMMUNITY ACTION AGENCY
STATEMENT OF PROGRAM COST AND STATUS OF FUNDS
WIOA CONTRACT #DTR 21005 ALN 17.258, 17.259, 17.278,17.277
For the year ended June 30, 2023

Program costs:

Cost classification	<u>Budgeted Costs</u>	<u>Expenditures</u>	<u>(Over)/Under Budget</u>	<u>Questioned Costs</u>
WIOA	\$ 1,253,299	\$ 1,222,995	\$ 30,304	\$ -
Costs eligible for reimbursement		<u>\$ 1,222,995</u>		
Status of funds				
Contract award		<u>\$ 1,597,766</u>		
Funds received		1,222,918		
Program income - interest		<u>77</u>		
Total receipts		1,222,995		
Total expenditures		<u>1,222,995</u>		
Excess (deficit) of revenues over expenditures		<u>\$ -</u>		

HARLAN COUNTY COMMUNITY ACTION AGENCY
STATEMENT OF PROGRAM EXPENDITURES - LIHEAP
LIHEAP PROGRAM CONTRACT NUMBER PON2-736-2100001642 ALN 93.568
For the year ended June 30, 2023

Cost category	<u>Expenditures</u>
Administration	
Salaries and fringe benefits	\$ 56,675
Office expenses	6,093
Audit	4,000
Utilities	614
Other admin	<u>-</u>
Total administration	67,382
Benefits	
Subsidy	313,818
Crisis	<u>463,276</u>
Total benefits	<u>777,094</u>
Total allowable expenditures	844,476
Less:	
Contract payments received	<u>845,904</u>
Interest earned	<u>-</u>
Excess of payment received over allowable expenditures	<u>1,428</u>
Amount due to CAK	<u>\$ 1,428</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES - LIHEAP
LIHEAP PROGRAM CONTRACT NUMBER PON2-736-2100001642 ALN 93.568
For the year ended June 30, 2023

<u>Cost category</u>	<u>Budget</u>	<u>Actual</u>	<u>(Over)/ Under Budget</u>
Administration cost	\$ 114,649	\$ 67,382	\$ 47,267
Benefits costs			
Subsidy	521,588	313,818	207,770
Crisis	<u>624,972</u>	<u>463,276</u>	<u>161,696</u>
Total benefits cost	<u>1,146,560</u>	<u>777,094</u>	<u>369,466</u>
Total costs	<u>\$ 1,261,209</u>	<u>\$ 844,476</u>	<u>\$ 416,733</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
SCHEDULE OF QUESTIONED COSTS
LIHEAP PROGRAM CONTRACT NUMBER PON2-736-2100001642 ALN 93.568
For the year ended June 30, 2023

<u>Cost category</u>	<u>Actual</u>	<u>Questioned Costs</u>	<u>Balance</u>
Administration cost	\$ 67,382	\$ -	\$ 67,382
Benefits costs			
Subsidy	313,818	-	313,818
Crisis	<u>463,276</u>	<u>-</u>	<u>463,276</u>
Total benefits cost	<u>777,094</u>	<u>-</u>	<u>777,094</u>
Total costs	<u>\$ 844,476</u>	<u>\$ -</u>	<u>\$ 844,476</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
For the year ended June 30, 2023

Revenues	
Cabinet for Health and Family Services	
Total revenues	\$ <u>328,157</u>
Expenditures	
Wages	141,901
Benefits	56,634
Travel	7,931
Contract services	2,500
Utilities	12,963
Supplies	3,483
Staff development	436
Client services	7,000
Other costs	15,396
In-kind match	<u>79,913</u>
Total expenditures	<u>328,157</u>
Excess (deficit) of revenues over expenditures	<u>-</u>
Net change in fund balance	-
Fund balance July 1, 2022	<u>-</u>
Fund balance June 30, 2023	<u>\$ -</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CSBG CARES CONTRACT #PON2-736-2100001631, ALN 93.569
For the year ended June 30, 2023

Revenues		
Cabinet for Health and Family Services		
Total revenues	\$	<u>21,889</u>
Expenditures		
Wages		3,500
Benefits		2,223
Client Services -Cares		<u>16,166</u>
Total expenditures		<u>21,889</u>
Excess (deficit) of revenues over expenditures		<u>-</u>
Net change in fund balance		-
Fund balance July 1, 2022		<u>-</u>
Fund balance June 30, 2023	\$	<u>-</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF FINANCIAL PARTICIPATION - CSBG
CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
For the year ended June 30, 2023

	<u>CSBG</u>	<u>State General</u>	<u>Total</u>
Obligated funds			
Total contract ceiling	\$ 309,545	\$ 5,717	\$ 315,262
CSBG financial participation	(242,127)	(5,717)	(247,844)
Other financial participation	<u>-</u>	<u>-</u>	<u>-</u>
Total participation	309,545	5,717	315,262
Less contact payments	(242,127)	(5,717)	(247,844)
Due to/(from) CHFS	<u>-</u>	<u>-</u>	<u>-</u>
Obligated funds	67,418	-	67,418
Over/under payment			
Total allowable expenses	242,127	5,717	247,844
Less contract payments	<u>(242,127)</u>	<u>(5,717)</u>	<u>(247,844)</u>
Overpayment due from/(to) CHFS	\$ -	<u>\$ -</u>	<u>\$ -</u>
Match requirement			
CSBG allowable expense	<u>\$ 40,051</u>		
Local match required at 20%	(49,569)		
Less local match:			
In-Kind provided	<u>79,913</u>		
Total excess local match provided	<u>\$ 30,344</u>		

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF ALLOWABLE EXPENSE
CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
For the year ended June 30, 2023

	<u>CSBG</u>	<u>State General</u>	<u>Total</u>
Expenses			
Wages	\$ 145,401	\$ -	\$ 145,401
Benefits	58,857	-	58,857
Travel	7,931	-	7,931
Equipment	-	-	-
Contract services	2,500	-	2,500
Utilities	12,963	-	12,963
Supplies	3,483	-	3,483
Staff development	436	-	436
Client services	17,449	5,717	23,166
Other	15,396	-	15,396
In-kind	79,913	-	79,913
	<u>344,329</u>	<u>5,717</u>	<u>350,046</u>
Total CSBG expenditures			
	344,329	5,717	350,046
Less questioned costs	-	-	-
Less In-kind contributions	(79,913)	-	(79,913)
	<u>264,416</u>	<u>5,717</u>	<u>270,133</u>
Total allowable CSBG expenditures			
	264,416	5,717	270,133
Less contract payments	(264,416)	(5,717)	(270,133)
	<u> -</u>	<u> -</u>	<u> -</u>
Amount due to (from) Cabinet for Health and Family Services	\$ -	\$ -	\$ -

The Agency is in compliance with the contract provisions regarding travel.

HARLAN COUNTY COMMUNITY ACTION AGENCY
SCHEDULE OF QUESTIONED COSTS
CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
For the year ended June 30, 2023

Expenditures	<u>Actual</u>	<u>Questioned Costs</u>	<u>Balance</u>
Wages	\$ 141,901	\$ -	\$ 141,901
Benefits	56,634	-	56,634
Travel	7,931	-	7,931
Equipment	-	-	-
Contract services	2,500	-	2,500
Utilities	12,963	-	12,963
Supplies	3,483	-	3,483
Staff development	436	-	436
Client services	7,000	-	7,000
Other costs	15,396	-	15,396
In-kind match	79,913	-	79,913
	<u>\$ 328,157</u>	<u>\$ -</u>	<u>\$ 328,157</u>
	<u>\$ 328,157</u>	<u>\$ -</u>	<u>\$ 328,157</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
SCHEDULE OF QUESTIONED COSTS CSBG Cares
CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
For the year ended June 30, 2023

Expenditures	<u>Actual</u>	<u>Questioned Costs</u>	<u>Balance</u>
Wages	\$ 3,500	\$ -	\$ 3,500
Benefits	2,223	-	2,223
Client services	<u>16,166</u>	<u>-</u>	<u>16,166</u>
	<u>\$ 21,889</u>	<u>\$ -</u>	<u>\$ 21,889</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
SCHEDULE OF OBLIGATED FUND BALANCES
CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
June 30, 2023

	<u>CSBG</u>	<u>State General</u>	<u>Total</u>
Obligated funds not received June 30, 2023	<u>\$ 67,418</u>	<u>\$ -</u>	<u>\$ 67,418</u>
Ending obligated fund balance as of June 30, 2023	<u>\$ 67,418</u>	<u>\$ -</u>	<u>\$ 67,418</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
 SCHEDULE OF OBLIGATED FUND BALANCES CSBG Cares
 CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
 For the year ended June 30, 2023

	<u>CSBG CARES</u>	<u>State General</u>	<u>Total</u>
Obligated funds not received June 30, 2023	\$ 399	-	\$ 399
Ending obligated fund balance as of June 30, 2023	<u>\$ 399</u>	<u>\$ -</u>	<u>\$ 399</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY
SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
CSBG CONTRACT #PON2-736-2100001631, ALN 93.569
For the year ended June 30, 2023

Expenditures	<u>Budget</u>	<u>Actual</u>	(Over) /Under Budget*
Wages	\$ 163,460	\$ 141,901	\$ (21,559)
Benefits	99,233	56,634	(42,599)
Travel	9,000	7,931	(1,069)
Equipment	-	-	-
Contract services	2,500	2,500	-
Utilities	12,410	12,963	553
Supplies	4,000	3,483	(517)
Staff development	500	436	(64)
Client services	7,000	7,000	-
Other costs	17,159	15,396	(1,763)
In-kind match	-	79,913	79,913
	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ 315,262	\$ 328,157	\$ 12,895

*Contract allows variances of up to 10% of any cost categories subject to the contract ceiling.

HARLAN COUNTY COMMUNITY ACTION AGENCY
 SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES CSBG Cares
 CSBG CARES CONTRACT #PON2-736-2100001631, ALN 93.569
 For the year ended June 30, 2023

Expenditures	<u>Budget</u>	<u>Actual</u>	<u>(Over) /Under Budget*</u>
Wages	\$ 3,500	\$ 3,500	\$ -
Benefits	3,500	2,223	1,277
Client services	<u>15,288</u>	<u>16,166</u>	<u>(878)</u>
 Total expenses	 <u>\$ 22,288</u>	 <u>\$ 21,889</u>	 <u>\$ 399</u>

*Contract allows variances of up to 10% of any cost categories subject to the contract ceiling.

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SUMMER FOOD SERVICE PROGRAM GRANT #048Y95999 ALN 10.559
For the year ended June 30, 2023

Revenues		
Kentucky Department of Education - USDA	\$	<u>26,551</u>
Total revenues		<u>26,551</u>
Expenditures		
Personnel		6,436
Supplies		125
Operations		17,014
Insurance		1,020
Travel		1,087
Other		<u>1,150</u>
Total expenditures		<u>26,832</u>
Excess (deficit) of revenues over expenditures		(281)
Net change in fund balance		(281)
Fund balance July 1, 2022		4,184
Plus: Unearned fund at June 30, 2022		-
Less: Unearned fund at June 30, 2023		<u>-</u>
Fund balance June 30, 2023	\$	<u>3,903</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SECTION 5311 TRANSPORTATION OPERATING GRANT KY-2021-004-00, ALN 20.509
For the year ended June 30, 2023

Revenues	
5311 Capital Grant	169,398
5311 RTAP	2,103
5311 Operating	560,855
Cares Act	421,237
Intercity Cares	61,904
Farebox 5311	60,154
Farebox Cares	10,873
LKLP	<u>1,186,623</u>
Total revenues	2,473,147
Expenditures	
Salaries	1,197,213
Benefits	663,612
Insurance - vehicles	91,616
Vehicle maintenance	18,292
Building maintenance	33,575
Equipment	47,689
Vehicles	264,508
Fuel	168,109
Tires	15,905
Parts	30,993
Fees	2,603
Professional fees	20,642
Utilities	7,118
Office expense	20,590
Postage, telephone, fax	35,795
Insurance and Bonding	22,891
Employee physical	5,192
Drug testing	1,454
Uniforms	31,275
Advertising	36,324
Janitorial/Safety/Etc.	<u>149,535</u>
Total expenditures	<u>2,864,931</u>
Excess (deficit) of revenues over expenditures	<u>(391,784)</u>
Net change in fund balance	(391,784)
Fund balance July 1, 2022	<u>-</u>
Plus: Funds carried over prior year	1,038,945
Less: Funds carried forward at June 30, 2023	<u>(647,161)</u>
Fund balance June 30, 2023	<u>\$ -</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES
SECTION 5311 TRANSPORTATION OPERATING GRANT KY-2021-004-00, ALN 20.509
For the year ended June 30, 2023

	Budget	Actual	(Over) /Under Budget
Revenues			
Fare box revenue	\$ 60,000	\$ 71,027	(11,027)
Cares Act	-	421,237	(421,237)
Intercity Cares	-	61,904	(61,904)
5311 Operating	1,106,368	560,855	545,513
5311 Capital	-	169,398	(169,398)
5311 RTAP	-	2,103	(2,103)
LKLP	-	1,186,623	(1,186,623)
Contract revenue -prior year carryover	1,038,945	1,038,945	-
Total revenues	2,205,313	3,512,092	(1,306,779)
Expenditures			
Salaries	2,058,205	1,197,213	860,992
Benefits	1,435,905	663,612	772,293
Insurance - vehicles	175,000	91,616	83,384
Vehicle maintenance	70,200	18,292	51,908
Building maintenance	32,920	33,575	(655)
Equipment	115,000	31,580	83,420
Vehicles	-	280,617	(280,617)
Fuel	183,895	168,109	15,786
Tires	14,000	15,905	(1,905)
Parts	40,000	30,993	9,007
Fees	6,000	2,603	3,397
Professional fees	17,000	20,642	(3,642)
Utilities	17,000	7,118	9,882
Office expense	31,000	20,590	10,410
Postage, telephone, fax	35,000	35,795	(795)
Insurance and Bonding	35,000	22,891	12,109
Employee physical	7,000	5,192	1,808
Drug testing	6,500	1,454	5,046
Uniforms	6,000	31,275	(25,275)
Advertising	40,000	36,324	3,676
Travel	5,000	-	5,000
Janitorial/Safety/Etc.	20,000	149,535	(129,535)
Total expenditures	4,350,625	2,864,931	1,485,694
Net operating income(loss)		647,161	\$ (2,792,473)
Carryover funds - current year		\$ 647,161	

There were no questioned costs.

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SECTION 5339 TRANSPORTATION OPERATING GRANT KY-2021-032-00, ALN 20.526
For the year ended June 30, 2023

Revenues		
Federal share	\$	-
Total revenues		-
Expenditures		
Vehicles		-
Other expenses		-
Total expenditures		-
Excess (deficit) of revenues over expenditures		-
Net change in fund balance		-
Fund balance July 1, 2022		-
Fund balance June 30, 2023	\$	-

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SECTION 5339 TRANSPORTATION CAPITAL GRANT KY-2018-021-01, ALN 20.526
For the year ended June 30, 2023

Revenues		
Federal share	\$	<u>16,109</u>
Total revenues		<u>16,109</u>
Expenditures		
Repairs		<u>16,109</u>
Total expenditures		<u>16,109</u>
Excess (deficit) of revenues over expenditures		<u>-</u>
Net change in fund balance		-
Fund balance July 1, 2022		<u>-</u>
Fund balance June 30, 2023	\$	<u><u>-</u></u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
KY HOUSING 2021 CONTINUUM OF CARE CONTRACTS #KY0012L4I001912 ALN 14.235
For the year ended June 30, 2023

Program ended September 30, 2023

	Prior Year 7/1/22-9/30/22	Current Year 7/1/22-6/30/23	Total Program
Revenues			
Kentucky Housing Corporation	\$ 18,446	\$ 38,179	\$ 56,625
Total revenues	<u>18,446</u>	<u>38,179</u>	<u>56,625</u>
Expenditures			
Administrative	415	-	415
Leasing expense	10,649	29,336	39,985
Match expense	-	3,000	3,000
Supportive Services expense	6,896	4,435	11,331
Other expense	486	1,408	1,894
Total expenditures	<u>18,446</u>	<u>38,179</u>	<u>56,625</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
KY HOUSING 2022 CONTINUUM OF CARE CONTRACTS #KY0012L4I001912 ALN 14.235
For the year ended June 30, 2023

Revenues		
Administrative income	\$	415
Leasing income		39,985
Match income		3,000
Other income		6,700
Food		<u>6,525</u>
Total revenues		<u>56,625</u>
Expenditures		
Administrative		415
Leasing expense		39,985
Match expense		3,000
Supportive services		11,331
Other		<u>1,894</u>
Total expenditures		<u>56,625</u>
Excess (deficit) of revenues over expenditures		<u>-</u>
Net change in fund balance		-
Fund balance July 1, 2022		<u>-</u>
Fund balance June 30, 2023	\$	<u>-</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

KENTUCKY HOUSING EMERGENCY SOLUTIONS GRANT PROJECT #ES20-0824-01, ES21-824-01 ALN 14.231

For the year ended June 30, 2023

Revenues		
Kentucky Housing Corporation	\$	<u>23,728</u>
Total revenues		<u>23,728</u>
Expenditures		
Short term rent assistance		17,350
Utility payments		5,577
General administration		449
Security deposits		-
Utility deposits		174
Participation fees		<u>178</u>
Total expenditures		<u>23,728</u>
Excess (deficit) of revenues over expenditures		<u>-</u>
Net change in fund balance		-
Fund balance July 1, 2022		<u>(1,236)</u>
Fund balance June 30, 2023	\$	<u>(1,236)</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF TRANSFERS, EXPENDITURES AND CHANGES IN FUND BALANCE
PROPERTY, PLANT AND EQUIPMENT GROUP OF ACCOUNTS
For the year ended June 30, 2023

BALANCE SHEET

Property, plant and equipment	
Land	120,154
Vehicles	2,472,602
Equipment	155,075
Improvements	<u>919,120</u>
	3,666,951
Less: accumulated depreciation	<u>(2,510,631)</u>
Total property, plant and equipment	<u>\$ 1,156,320</u>

STATEMENT OF CHANGE IN FUND BALANCE

Additions	\$ 280,617
Retirements	-
Depreciation	(281,961)
Depreciation add back from disposed assets	<u>-</u>
Net change in fund balance	(1,344)
Fixed assets net of depreciation June 30, 2022	<u>1,157,664</u>
Fund balance, June 30, 2023	<u>\$ 1,156,320</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
LOCAL FUNDS
For the year ended June 30, 2023

Revenues		
Employee Fund	\$	302
Rental income		12,930
Interest income		50
Wintercare		5,678
Donation		2,831
Usage fees		<u>4,930</u>
Total revenues		<u>26,721</u>
Expenditures		
Employee Fund		50
Wintercare		5,964
Donation		119
Equipment maintenance		3,233
Professional services		1,010
Board meeting		2,017
Other		<u>30,634</u>
Total expenditures		<u>43,027</u>
Excess (deficit) of revenues over expenditures		<u>(16,306)</u>
Net change in fund balance		(16,306)
Fund balance July 1, 2022		<u>295,167</u>
Fund balance June 30, 2023	\$	<u>278,861</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Passed through to Subrecipients
Expenditures				
<u>U.S. Department of Health and Human Services</u>				
Passed through the Kentucky Cabinet for Health and Family Services				
Community Services Block Grant	93.569	PON2-736-2100001631	\$ 242,526	-
Covid 19 Community Services Block Grant	93.569	PON2-736-2100001631	21,890	-
Passed through Community Action of Kentucky Low-Income Home Energy Assistance	93.568	PON2-736-2100001642	<u>844,476</u>	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,108,892</u>	-
<u>U.S. Department of Labor</u>				
Passed through Office of Training and Reemployment				
WIOA Cluster				
WIA Youth Activities	17.259	DTR-20005	844,099	-
WIA Dislocated Worker Formula Grants	17.278	DTR-20005	93,544	-
WIA Adult Program	17.258	DTR-20005	<u>244,070</u>	-
Total WIOA Cluster			1,181,713	-
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	17.277	DTR-20005	37,666	-
Covid 19- WIOA National Dislocated Worker Grant/WIA Emergency Grants	17.277	DTR-20005	<u>3,539</u>	-
TOTAL DEPARTMENT OF LABOR			<u>1,222,918</u>	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Kentucky Housing Corporation				
Supportive Housing Program	14.235	KY0012L4I001912	56,624	-
Supportive Housing Program	14.235	KY0012L4I001912	-	-
Emergency Solutions Grant Program	14.231	ES21-824-01	<u>23,727</u>	-
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>80,351</u>	-
<u>U.S. Department of Transportation</u>				
Passed through Kentucky Transportation Cabinet				
Formula Grants for Other than Urbanized Areas	20.509	KY 2021-004-00	1,215,497	-
Bus and Bus Facilities Formula Program	20.526	KY 2021-004-00	<u>16,109</u>	-
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>1,231,606</u>	-
<u>U.S. Department of Agriculture</u>				
Passed through Kentucky Department of Education				
Summer Food Service Program for Children	10.559	0448Y95999	<u>26,551</u>	-
TOTAL US DEPARTMENT OF AGRICULTURE			<u>26,551</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,670,318</u>	<u>\$ -</u>

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC.
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year ended June 30, 2023

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Harlan County Community Action Agency Inc. under programs of the federal government for the year ended June 30, 2023. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-profit Agencies, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

The Agency did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Cloyd & Associates, PSC

Certified Public Accountants
and
Business Advisors

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

Board of Directors
Harlan County Community Action Agency, Inc.
Harlan, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Harlan County Community Action Agency, Inc. (a nonprofit Agency), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harlan County Community Action Agency, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harlan County Community Action Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Harlan County Community Action Agency, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harlan County Community Action Agency, 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 financial statements. 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cloyd & Associates, PSC

Cloyd & Associates, PSC

London, Kentucky

January 26, 2024



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

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

Board of Directors
Harlan County Community Action Agency, Inc.
Harlan, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harlan County Community Action Agency, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Harlan County Community Action Agency, Inc.'s major federal programs for the year ended June 30, 2023. Harlan County Community Action Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Harlan County Community Action Agency, 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harlan County Community Action Agency, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.



The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Harlan County Community Action Agency, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Harlan County Community Action Agency, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harlan County Community Action Agency, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Harlan County Community Action Agency, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC

London, Kentucky
January 26, 2024

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued		Unmodified		
Internal control over financial reporting:				
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/>	No
Significant deficiencies identified that are not considered to be material weaknesses reported.	_____	Yes	<input checked="" type="checkbox"/>	None
Noncompliance material to financial statement noted	_____	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/>	No
Significant deficiencies identified that are not considered to be material weaknesses reported.	_____	Yes	<input checked="" type="checkbox"/>	None
Type of auditors' report issued on compliance for major programs		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	<input checked="" type="checkbox"/>	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Services Block Grant	93.569
COVID-19 Community Services Block Grant	93.569
Formula Grants for Other than Urbanized Areas	20.509
Bus and Bus Facilities Formula Program	20.526

Dollar threshold used to distinguish between Type A and Type B program \$750,000

Auditee qualified as low risk _____ Yes No

(Continued)

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year Ended June 30, 2023

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

HARLAN COUNTY COMMUNITY ACTION AGENCY, INC
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2023

Status of Prior Year Findings

There were no prior year audit findings.