

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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
Somerset-Pulaski County Economic Development Authority, Inc
City of Somerset, Kentucky and County of Pulaski, Kentucky

Opinion

We have audited the accompanying financial statements of Somerset-Pulaski County Economic Development Authority, Inc, which comprise the statements of financial position as of June 30, 2024, and the related statement of activities, statement of functional expenses, cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Somerset-Pulaski County Economic Development Authority, Inc, as of June 30, 2024, 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 Somerset-Pulaski Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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 will always detect a material misstatement when it exists.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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, 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 Somerset-Pulaski County Economic Development Authority, Inc'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 Somerset-Pulaski County Economic Development Authority, 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 opinions on the financial statements that collectively comprise Somerset-Pulaski County Economic Development Authority, Inc's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and 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*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 September 26, 2024, on our consideration of Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, Inc's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
September 26, 2024

SOMERSET-PULASKI ECONOMIC DEVELOPMENT AUTHORITY, INC
STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 2,148,049
Accounts receivable	20,007
Current portion of notes receivable	<u>20,000</u>
Total current assets	<u>2,188,056</u>

Noncurrent assets

Total capital assets, net	4,869,668
Long term portion of notes receivable	<u>299,750</u>
Total noncurrent assets	<u>5,169,418</u>

TOTAL ASSETS	<u>\$ 7,357,474</u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 14,155
Contingent liability payable	59,615
Unearned grants	100,000
Accrued expenses	<u>1,419</u>
Total current liabilities	<u>175,189</u>

TOTAL LIABILITIES	<u>175,189</u>
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NET ASSETS

Without donor restrictions	<u>7,182,285</u>
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TOTAL NET ASSETS	<u>7,182,285</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,357,474</u>
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SOMERSET-PULASKI ECONOMIC DEVELOPMENT AUTHORITY, INC
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>
Support and Revenue		
Grant Revenue	\$ 1,621,403	\$ -
Government support	443,500	-
Insurance proceeds	150,000	-
Interest income	19,252	-
Other Income	<u>2,924</u>	<u>-</u>
 Total support and revenue	 <u>2,237,079</u>	 <u>-</u>
Expenses		
Program services	664,665	-
Management and general	309,806	-
Fundraising	<u>121,481</u>	<u>-</u>
 Total expenses	 <u>1,095,952</u>	 <u>-</u>
 Change in net assets	 1,141,127	 -
Net assets as of June 30, 2023	<u>6,041,158</u>	<u>-</u>
 Net assets as of June 30, 2024	 <u>\$ 7,182,285</u>	 <u>\$ -</u>

SOMERSET-PULASKI ECONOMIC DEVELOPMENT AUTHORITY, INC
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 66,084	\$ 132,168	\$ 66,084	\$ 264,336
Employee benefits	1,983	3,964	1,983	7,930
Payroll taxes	<u>5,258</u>	<u>10,516</u>	<u>5,258</u>	<u>21,032</u>
 Total salaries and related expenses	 <u>73,325</u>	 <u>146,648</u>	 <u>73,325</u>	 <u>293,298</u>
 Depreciation	 37,195	 -	 -	 37,195
Business recruitment	8,291	-	-	8,291
Property maintenance expenses	294,763	-	-	294,763
Advertising	24,232	24,232	-	48,464
Contract services	46,861	-	-	46,861
Office expenses	-	25,098	-	25,098
Rent expense	-	43,500	-	43,500
Insurance expense	52,877	-	-	52,877
Sponsorship/membership fees	-	-	48,156	48,156
Training	-	3,019	-	3,019
Travel	-	4,409	-	4,409
Vehicle expense	-	14,951	-	14,951
Loss on sale of assets	-	47,949	-	47,949
Special projects	<u>127,121</u>	<u>-</u>	<u>-</u>	<u>127,121</u>
 Total Expenses	 <u>\$ 664,665</u>	 <u>\$ 309,806</u>	 <u>\$ 121,481</u>	 <u>\$ 1,095,952</u>

SOMERSET-PULASKI ECONOMIC DEVELOPMENT AUTHORITY, INC
STATEMENT OF CASH FLOWS
For the year ended June 30, 2024

Cash flows from operating activities

Change in net assets	\$ 1,141,127
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	664,665
Loss from sale of fixed assets	-
(Increase) decrease in operating assets:	47,949
Accounts receivable	(19,728)
Increase (decrease) in operating liabilities:	
Accounts payable	(2,854)
Unearned grants	(1,200,000)
Accrued expenses	<u>435</u>
 Net cash provided by (used in) operating activities	 <u>631,594</u>

Cash flows from investing activity

Payments received in connection with note receivable	30,247
Purchase of property and equipment	(2,545,443)
Proceeds from sale of properties	<u>59,615</u>
 Net cash provided by (used in) investing activity	 <u>(2,455,581)</u>

Net increase (decrease) in cash and cash equivalents (1,823,987)

Cash and cash equivalents at the beginning of year 4,599,506

Cash and cash equivalents at end of year **\$ 2,775,519**

Interest paid \$ -

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE 1 – REPORTING ENTITY

Somerset-Pulaski County Economic Development Authority, Inc (The Organization) was formed by an interlocal agreement between the City of Somerset and Pulaski County Fiscal Court with ordinances passed to create the quasi-governmental entity. The organization is comprised of eight board members, headed by the Somerset Mayor and the Pulaski County Judge Executive. Each elected official shall name three members to help make up the remaining positions on the board of directors.

Somerset-Pulaski Economic Development Authority, Inc serves as the primary economic development and marketing agency for Somerset and Pulaski County. The Organization’s mission is to enhance the business climate in and foster cooperation among various government entities and private sector organizations. It is an essential point of contact for businesses interested in locating in the community as well as assisting existing local companies in expansion and the region’s workforce development efforts.

The Organization’s Mission Statement states that it is “an aggressive, innovative, and collaborative city-county partnership that leads the way in improving the economic, political, and social well-being of its citizens. Using a proactive mindset, The Organization utilizes industrial recruitment, retail and commercial development, tourism marketing and promotion, education, workforce development, arts and entertainment with overall community planning to improve quality of life in Somerset, Pulaski County, and the Lake Cumberland region.”

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not-for-Profit Organizations. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

(b) Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(6). Donors may deduct contributions to the Organization in accordance with the provisions of Section 170 of the IRS.

The Organization files Federal Form 990. The Organization is subject to IRS examination for the years ended June 30, 2021, 2022, and 2023.

It is difficult to predict the final timing and resolution of any particular uncertain tax position. The Organization does not currently anticipate any significant changes in its tax positions over the next 12 months.

(d) Cash Equivalents and Investments

Management considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. This also includes bank certificates of deposit and demand checking accounts.

(e) Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. The Organization provides for uncollectable receivables using the allowance method, which is based on management's judgement concerning historical collectability. Past due amounts are individually analyzed for collectability and written off when all collection efforts have been exhausted.

(f) Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported on a pro rate basis as services are consumed.

(g) Capital Assets

Acquisitions of property and equipment and major replacements of retired property are capitalized per the threshold; while the cost of repairs, maintenance, and minor replacements is charged to expense. Management defines capital assets as assets with a cost of \$500 or more and an estimated useful life in excess of one year. Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the date of the gift.

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from disposal is credited or charged in the non-operating section of the statements of revenues, expenses and changes in net position. The cost of repairs, maintenance, and minor replacements is charged to expense. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Computers and software	3 years
Equipment, furniture, and fixtures	5 years

(h) Contributions and Event Revenue

Contributions and event revenue, if any, including unconditional promises, are recognized as revenues in the period made. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions and event revenue received are recorded as support with or without donor restrictions, depending on the existence and/or nature or any donor restrictions.

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Contributed Goods and Services

Contributed goods, which would have otherwise been purchased, are recorded at fair value.

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed with people with those skills, and would otherwise be purchased by the Organization. Contributed services are reflected in the accompanying statements at their estimated fair value at the date provided.

(j) Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash and cash equivalents. The Organization maintains interest-bearing cash balances in multiple financial institutions, and, at times, such cash balances may be in excess of the FDIC insurance limits.

Concentrations of credit risk with respect to contributions receivable are limited due to the composition of the Organization’s contributor base. Management assesses the financial strength of its unconditional contributions receivable based on prior history and experience with its donor and grantor agencies

(k) Use of Estimates

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

(l) Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Depreciation	Time and effort
Business recruitment	Time and effort
Property expenses	Time and effort
Advertising	Time and effort
Contract services	Time and effort
Office expenses	Time and effort
Rent expense	Time and effort
Insurance expense	Time and effort
Sponsorship/membership fees	Time and effort
Training	Time and effort
Travel	Time and effort
Cost of sale	Time and effort
Vehicle expense	Time and effort
Special projects	Time and effort

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended June 30, 2024

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization has \$2,148,049 of financial assets available within one year of the statement of financial position date at June 30, 2024, consisting of cash. \$59,615 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The Organization has a goal to maintain liquid financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which are approximately \$258,412.

NOTE 4 – CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. As of June 30, 2024, none of the Organization's bank balance were exposed to custodial credit risk because of coverage by Federal Depository insurance and pledged securities.

Cash and cash equivalents at June 30, 2024 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Local Bank	\$ 2,186,734	\$ 2,148,049
	<u>\$ 2,186,734</u>	<u>\$ 2,148,049</u>

NOTE 5 – NOTES RECEIVABLE

The Organization received a promissory note in the prior year from Lake Cumberland Regional Airport in the amount of \$100,000. The agreement dictates that the organization has an interest rate of 0.0% and will receive monthly installments of \$1,666 beginning January 15, 2022, with the full amount of the note received on or before January 15, 2027. The balance as of June 30, 2024 is \$49,750.

The Organization received a promissory note from the Pulaski County Detention Center in the amount of \$40,000. The agreement dictates that the organization has an interest rate of 0.0% and will receive monthly installments of \$1,666 beginning January 1, 2022, with the full amount of the note received on or before December 31, 2023. The full amount of the note was received in the 2024 audit year and the balance is \$0.

The Organization received a promissory note from the SPEDA Community Foundation in the amount of \$270,000. The agreement dictates that the organization has an interest rate of 0.0% and will receive repayment once the SPEDA Community Foundation has raised funds from donations and fundraising. There is no set repayment date at this time. The balance as of June 30, 2024 is \$270,000.

NOTE 6 – UNEARNED GRANTS

The Organization received a grant of \$100,000 from the State of Kentucky, which consisted of funds from the Team Kentucky Nonprofit Assistance Fund, which will be used for general operating expenses. The funds will remain a payable until expended.

NOTE 7 – CONTINGENT LIABILITY PAYABLE

The Organization received a payment of \$59,615 from an individual for a piece of land. The Organization will return the funds to the individual contingent upon the individual building a daycare to the Organization's specifications. The funds will remain a payable until the project is complete and determined to meet the requirements.

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended June 30, 2024

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance <u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2024</u>
Land	\$ 2,037,363	\$2,533,766	\$ 47,949	\$ 4,523,180
Furniture and Equipment	44,717	6,377	-	51,094
Properties	391,731	5,300	-	397,031
Vehicles	<u>45,773</u>	<u>-</u>	<u>-</u>	<u>45,773</u>
Total cost	<u>2,519,584</u>	<u>2,545,443</u>	<u>47,949</u>	<u>5,017,078</u>
Less accumulated depreciation	<u>(110,215)</u>	<u>(37,195)</u>	<u>-</u>	<u>(147,410)</u>
Capital assets, net	<u>\$ 2,409,369</u>	<u>\$2,508,248</u>	<u>\$ 47,949</u>	<u>\$ 4,869,668</u>

NOTE 9 – RETIREMENT PLAN

Current employees of the Organization may participate in a Simple IRA in which the Organization matches the contribution of the participating employee's salary deferral up to 3%. The employer match amount for the year ended June 30, 2024 was \$7,930.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization's Board of Directors includes volunteers from the business community who provide valuable assistance to the Organization. During the year ended June 30, 2024, the Organization contracted to receive payroll services from a company by which a board member is employed.

SPEDA properties 1, LLC is a single member LLC that is 100% owned by the Organization. This entity was formed to hold real estate and provide liability protection for the real estate.

SPEDA Community Foundation is a not for profit 501(c)(3) that was established to allow the community to contribute to projects and establish donor deductibility. The entity is managed by a board made up of SPEDA employees and 3 board members. This is a joint venture with the Organization, however, while the Organization spearheads the projects for the Foundation, they do not solicit donations.

NOTE 11 – SUBSEQUENT EVENTS

The board's management has evaluated subsequent events through September 26, 2024, the date these financial statements were available for release.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOMERSET-PULASKI ECONOMIC DEVELOPMENT AUTHORITY, INC
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S.Department of the Treasury</u>			
Passed through the Pulaski County Fiscal Court			
Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA-2024	<u>1,200,000</u>
			<u>1,200,000</u>
Total U.S. Department of the Treasury			<u>1,200,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,200,000</u>

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Somerset-Pulaski County Economic Development Authority, Inc and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. CLUSTER PROGRAMS

The Following ALN are considered cluster programs:

None were identified as cluster programs

2. INDIRECT COST RATES

The Organization has elected not to use the 10% de minimus indirect cost rate as 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

Somerset-Pulaski County Economic Development Authority, Inc
City of Somerset, Kentucky and County of Pulaski, 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 Somerset-Pulaski County Economic Development Authority, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 September 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somerset-Pulaski County Economic Development Authority, Inc n'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 Somerset-Pulaski County Economic Development Authority, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
September 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
Somerset-Pulaski County Economic Development Authority, Inc
City of Somerset, Kentucky and County of Pulaski, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, Inc's major federal programs for the year ended June 30, 2024. Somerset-Pulaski County Economic Development Authority, 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, Somerset-Pulaski County Economic Development Authority, 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, 2024.

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 Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority 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 Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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 Somerset-Pulaski County Economic Development Authority, 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
September 26, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS
For the year ended June 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:			
Material weaknesses identified	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/>	No
Significant deficiencies identified that are not considered to be material weaknesses	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/>	None reported
Type of auditors' report issued on compliance for major program	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/>	No
Identification of major programs:			
<u>Name of Federal Program or Cluster</u>	<u>ALN</u>		
Coronavirus State and Local Fiscal Recovery Funds	21.027		
Dollar threshold used to distinguish between Type A and Type B program	\$750,000		
Auditee qualified as low risk	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/>	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

SOMERSET-PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS
For the year ended June 30, 2024

Status of Prior Year Findings

There were no prior year audit findings



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Board of Directors
Somerset-Pulaski County Economic Development Authority, Inc
City of Somerset, Kentucky and County of Pulaski, Kentucky

In planning and performing our audit of the basic financial statements of Somerset-Pulaski County Economic Development Authority, Inc for the year ended June 30, 2024, we considered the Organizations's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance. on the internal control structure.

If during our audit we noted matters that may be opportunities for strengthening internal controls and operating efficiency, we have included that on the memorandum that accompanies this letter which summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated September 26, 2024, on the basic financial statements of Somerset-Pulaski County Economic Development Authority, Inc.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
September 26, 2024

