

**DELTA HUMAN RESOURCE AGENCY
FINANCIAL STATEMENTS
JUNE 30, 2023**

**DELTA HUMAN RESOURCE AGENCY
TABLE OF CONTENTS
JUNE 30, 2023**

Introductory Section:

Schedule of Officials (Unaudited)	1
Independent Auditors' Report	2
Management's Discussion and Analysis.....	5

Financial Section:

Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Fund	11
Reconciliation of Balance Sheet of the Governmental Fund to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	14
Notes to Financial Statements	15
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	27
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS	28

Supplementary and Other Information Section:

Schedule of Expenditures by Program	29
Schedule of Expenditures of Federal Awards and State Financial Assistance	30
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.....	32

Internal Control and Compliance Section:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	35
Schedule of Findings and Questioned Costs.....	38
Schedule of Prior Year Findings and Questioned Costs	40
Management's Corrective Action Plan.....	41

**DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF OFFICIALS (UNAUDITED)
JUNE 30, 2023**

POLICY COUNCIL

Rhea Taylor, Chairman

Maurice Gains, Vice-Chairman

Jeff Huffman, Treasurer/Secretary

Shelia Barlow

Stephanie Chapman-Washam

Isaiah Davidson

Wallace Montague

Debra Moody

Regina Nash

Eugene Pugh

Paul Rose

MANAGEMENT TEAM

Adrienne McGarity, Executive Director

Nikki Gray, Deputy Director

W.T. Bailey, Fiscal Officer



Members: Association of International Certified Public Accountants | Tennessee Society of Certified Public Accountants
Governmental Audit Quality Center | www.crs CPA.com

INDEPENDENT AUDITORS' REPORT

Board Of Directors
Delta Human Resource Agency
Covington, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Delta Human Resource Agency (Delta) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Delta's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Delta as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Delta 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 these 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.

64 Lynoak Cv
Jackson, TN 38305
(731)668-1806
Fax (731)668-9543

1205 East Wood St, Ste B
Paris, TN 38242
(731)642-1755
Fax (731)644-0413

304 Broadway St
Martin, TN 38237
(731)587-4221
Fax (731)587-9474

11 N. Court Square
Brownsville, TN 38012
(731)772-2273
Fax (731)772-2275

110 West Court
Dyersburg, TN 38024
(731)286-6080
Fax (731)285-8975

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of Delta'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Delta's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS, and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Delta's basic financial statements. The schedule of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the notes to schedule of expenditures of federal awards and state financial assistance, and the schedule of expenditures by program 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of officials (unaudited), but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024 on our consideration of Delta'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 Delta'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 Delta's internal control over financial reporting and compliance.



CRS CPAs, P.C.
Jackson, Tennessee
March 22, 2024

**DELTA HUMAN RESOURCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Management of Delta Human Resource Agency (Delta) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2023.

Financial Highlights

- Delta ended the year with a net position balance of \$4,564,694. This amount was \$133,733 greater than the net position balance at the beginning of the year, which included a \$(2,200) prior period adjustment. The increase in net position is due primarily to the decrease in expenses and an increase in revenues.
- Grants and contributions from other governments was \$4,415,818.
- Delta ended the year with cash of \$2,788,865.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the readers with a broad overview of Delta's finances. Their presentation follows the intent of GASB Statement 63.

The statement of net position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Delta is improving or deteriorating.

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

Delta operates programs through federal, state, and local governmental grants. All revenues generated through these programs are from grants, contracts, fees for services, and in-kind matching resources.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Delta utilizes one governmental fund - a general fund - to account for all its activities. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. Reconciliations between the fund financial statements and the government-wide financial statements are provided to facilitate this comparison.

Notes to the Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain "required supplementary information" concerning Delta's progress in funding its obligation to provide pension benefits to its employees.

**DELTA HUMAN RESOURCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of Delta's financial situation. Delta's assets exceeded its liabilities by \$4,564,964 at the close of the fiscal year ended June 30, 2023. The following shows the major categories of assets and liabilities of Delta as of June 30, 2023, with comparison to 2022:

	<u>Governmental Activities</u>		<u>Percentages</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and Other Assets	\$ 4,579,592	5,257,670		
Capital Assets	-	70,769		
Total Assets	<u>4,579,592</u>	<u>5,328,439</u>		
Total Deferred Outflows of Resources	373,210	291,673		
Total Assets and Deferred Outflows of Resources	<u>\$ 4,952,802</u>	<u>\$ 5,620,112</u>		
Current and Other Liabilities	\$ 161,985	\$ 126,905		
Total Liabilities	161,985	126,905		
Total Deferred Inflows of Resources	<u>226,123</u>	<u>1,062,246</u>		
Total Liabilities and Deferred Inflows of Resources	388,108	1,189,151		
Net Position:				
Invested in Capital Assets	-	70,769	0.0%	1.6%
Restricted Net Position	2,991,933	3,031,541	65.5%	68.4%
Unrestricted Net Position	1,572,761	1,328,651	34.5%	30.0%
Total Net Position	<u>4,564,694</u>	<u>4,430,961</u>		
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,952,802</u>	<u>\$ 5,620,112</u>		

Capital Assets:

Investment in capital assets as of June 30, 2023 amounted to \$0 (net of accumulated depreciation), which is 0.0% of total net position. This investment in capital assets includes land, buildings, equipment and leasehold improvements. As of June 30, 2022, capital assets net of depreciation amounted to \$70,769. Delta had no capital outlay purchases for the year. Consequently, net capital assets decreased by \$70,769 from the prior year.

Delta's restricted net position \$2,991,933 represents 65.5% of total net position. These funds are restricted for use in the respective grantor programs; therefore, these resources are subject to external restrictions on how they may be used. The restricted net assets decreased \$39,608 for the year ended June 30, 2023.

Unrestricted net position comprises 34.5% of Delta's total net position. These assets can be used in meeting Delta's future short and long-term obligations. The unrestricted net position increased by \$211,504 for the year ended June 30, 2023, including a prior period adjustment of \$(2,200).

Debt:

As of June 30, 2023, Delta had no long term debt.

Governmental Activities:

Governmental activities increased Delta's total net position by \$135,933, in addition to a prior period adjustment of \$(2,200) for the fiscal year ended June 30, 2023. The following table indicates the individual program changes in net position for the governmental activities:

**DELTA HUMAN RESOURCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

	2023			2022		
	Expenses	Revenues	Increase/ (Decrease) Net Position	Expenses	Revenues	Increase/ (Decrease) Net Position
Governmental Activities:						
Community Services Block Grant	\$ 371,793	\$ 392,741	\$ 20,948	\$ 298,108	\$ 324,360	\$ 26,252
Low Income Energy Assistance	1,898,971	2,022,955	123,984	849,630	939,456	89,826
Weatherization Assistance for Low Income Persons	2,062	-	(2,062)	5,180	-	(5,180)
Public Transportation Plus Jobs Access	1,843,686	1,855,069	11,383	1,432,728	1,619,674	186,946
Emergency Food Assistance	357,923	306,762	(51,161)	376,254	388,142	11,888
Other	64,626	73,352	8,726	67,870	11,400	(56,470)
Total Governmental Activities	\$ 4,539,061	\$ 4,650,879	111,818	\$ 3,029,770	\$ 3,283,032	253,262
General Revenues:						
Interest Income			24,115			7,321
Total General Revenues			24,115			7,321
Change in Net Position			135,933			260,583
Net Position, Beginning of Year			4,430,961			4,050,412
Prior Period Adjustment			(2,200)			119,966
Net Position, Beginning of Year-Restated			4,428,761			4,170,378
Net Position, End of Year			\$ 4,564,694			\$ 4,430,961

Governmental activities are supported by charges for services and grants/contributions. Additionally, general revenues cover any net expenses after program specific revenues are applied. In 2023, Delta primarily relied upon governmental contract revenue for funding of governmental activities.

Financial Analysis of Governmental Fund

The focus of Delta's governmental fund (the general fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of a fiscal year. Unassigned fund balances at June 30, 2023, totaled \$862,100 a decrease of \$46,284 from the prior year, including a \$(2,200) prior period adjustment. The remainder of the fund balance is reserved to indicate that it is already committed for expenditure. The decrease in unassigned fund balance for the current fiscal year was predominantly due to an increase in emergency food assistance expenditures and weatherization assistance for low income persons expenditures.

Budget

All programs operated by Delta are limited to budgets approved by the individual grantor agencies. Program budgets are developed based on the requirements set forth by those grantors to meet the program needs within the available revenues and resources. The program budgets are approved by Delta's governing board and monitored monthly to determine if program objectives are being met. Delta does not have a legally required budget.

Requests for Information

This financial report is intended to provide an overview of the finances of Delta Human Resource Agency for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Fiscal Director of the Delta Human Resource Agency at P.O. Box 634, Covington, Tennessee 38019.

**DELTA HUMAN RESOURCE AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,788,865
Accounts Receivable, <i>net of allowance for doubtful accounts</i>	
Grantors	986,354
Inventory	210,914
<i>Total Current Assets</i>	3,986,133

OTHER ASSETS

Net Pension Asset	<u>593,459</u>
<i>Total Current and Other Assets</i>	4,579,592
<i>Total Assets</i>	<u>4,579,592</u>

DEFERRED OUTFLOWS OF RESOURCES

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>373,210</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 4,952,802</u></u>

The accompanying notes are an integral part of the financial statements.

**DELTA HUMAN RESOURCE AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2023**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 17,771
Accrued Wages and Related Liabilities	63,011
Accrued Leave	60,532
Unearned Revenue - Other	16,461
Unearned Revenue - Grants and Program Income	4,210
<i>Total Current Liabilities</i>	<u>161,985</u>
 <i>Total Liabilities</i>	 <u>161,985</u>

DEFERRED INFLOWS OF RESOURCES

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>226,123</u>
----------	----------------

NET POSITION

NET POSITION

Restricted	2,991,933
Unrestricted	<u>1,572,761</u>
 <i>Total Net Position</i>	 <u>4,564,694</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u><u>\$ 4,952,802</u></u>

The accompanying notes are an integral part of the financial statements.

**DELTA HUMAN RESOURCE AGENCY
BALANCE SHEET -
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

ASSETS	<u>General Fund</u>
Cash	\$ 2,788,865
Accounts Receivables, <i>net of allowance for doubtful accounts</i>	
Grantors	986,354
Inventory	<u>210,914</u>
TOTAL ASSETS	<u>\$ 3,986,133</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 17,771
Accrued Wages and Related Liabilities	63,011
Accrued Leave	60,532
Unearned Revenue - Other	16,461
Unearned Revenue - Grants and Program Income	<u>130,747</u>
<i>Total Liabilities</i>	<u>288,522</u>
FUND BALANCE	
Non-Spendable	210,914
Restricted	2,624,597
Unassigned	<u>862,100</u>
<i>Total Fund Balance</i>	<u>3,697,611</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,986,133</u>

The accompanying notes are an integral part of the financial statements.

**DELTA HUMAN RESOURCE AGENCY
RECONCILIATION OF BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balance of Governmental Fund	\$ 3,697,611
Amounts reported for the governmental activities in the Statement of Net Position are different because	
Deferred revenues are not available to pay for current expenditures and, therefore, are deferred at the fund level	126,537
The net pension asset is not a financial resource and, therefore, is not reported in the funds	593,459
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in a future period; therefore, they are not reported in the governmental funds	(226,123)
Deferred outflows of resources related to pensions in which the consumption of net position will occur in a future period; therefore, they are not reported in the governmental funds	<u>373,210</u>
Net Position of Governmental Activities	<u><u>\$ 4,564,694</u></u>

The accompanying notes are an integral part of the financial statements.

**DELTA HUMAN RESOURCE AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	GENERAL FUND
REVENUES	
Federal Grants	\$ 3,648,633
State Grants	424,027
State and Local Contributions	347,750
Interest Income	24,115
Program Income	232,526
TOTAL REVENUES	4,677,051
 EXPENDITURES	
Public Transportation for Rural Areas	1,863,931
Low Income Home Energy Assistance	1,906,232
Community Services Block Grant	388,148
Weatherization Assistance for Low Income Persons	2,062
Emergency Food Assistance	359,828
Other Programs	66,993
Capital Outlays	-
TOTAL EXPENDITURES	4,587,194
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 89,857
 FUND BALANCE - AT BEGINNING OF YEAR	 3,609,954
 PRIOR PERIOD ADJUSTMENTS	 (2,200)
 FUND BALANCE - AT BEGINNING OF YEAR, RESTATED	 3,607,754
 FUND BALANCE - AT END OF YEAR	 \$ 3,697,611

The accompanying notes are an integral part of the financial statements.

**DELTA HUMAN RESOURCE AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balance of Governmental Fund \$ 89,857

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense:

Depreciation Expense (70,769)

Certain grant and program revenues do not provide current financial resources and are reported as deferred revenue at the fund level:

Unearned grant and program income at June 30, 2023 126,537
Unearned grant and program income at June 30, 2022 (128,594)

The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on net position, but are considered deferred outflows of resources in the statement of net position 49,648

The actuarially determined pension expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as a reduction of expenses in the statement of activities 69,254

Net Change in Net Position of Governmental Activities \$ 135,933

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - REPORTING ENTITY

These are enterprise fund financial statements and include only the financial activities of Delta Human Resource Agency (Delta).

Delta Human Resource Agency (Delta) was created by state and local elected officials to serve the three counties of Tipton, Lauderdale, and Fayette in accordance with provisions of the Tennessee Human Resource Agency Act of 1973 and amended (Title 13, Chapter 26, Tennessee code annotated). Delta was created in December 18, 1989 and chartered as a not-for-profit agency on January 18, 1990.

Delta's basic financial statements include the accounts of all Agency operations. The criteria for including organizations as component units within Delta's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- Delta holds the corporate powers of the organization.
- Delta appoints a voting majority of the organization's board.
- Delta is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on Delta.
- There is fiscal dependency by the organization on Delta.

Based on the aforementioned criteria, Delta reports the Delta Human Resource Agency as no component units. Questions concerning the financial statements or requests for additional financial information should be addressed to the Fiscal Director at Delta Human Resource Agency, P.O. Box 634, Covington, Tennessee 38019.

The financial statements of Delta have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Delta Human Resource Agency are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the reporting entity. Governmental activities, which normally are supported by grants, taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Delta has neither fiduciary funds nor business-type activities.

Governmental fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and any non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. Delta has presented its major fund, the General Fund, which met these qualifications.

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation - Government-wide and Fund Financial Statements (continued)

The General Fund is the only operating fund of Delta and is always classified as a major fund. Transactions relating to resources obtained and used for delivery of programs (including all cost-reimbursement and performance-based grant agreements) are accounted for in the General Fund.

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of Delta’s assets, liabilities and deferred inflows/outflows of resources including capital assets, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Governmental activities are presented using the accrual basis of accounting in the government-wide statement of activities. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred, or economic asset is used. The types of transactions reported as function/program revenues for Delta are reported in three categories: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims, and judgments are recorded only when payment is due. Grants and transportation program revenues associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. A deferred amount is recognized for the portion of those revenues that are not available within sixty days of the close of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

For government-wide reporting, when both restricted and unrestricted resources are available for use, it is Delta’s policy to use the restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

Investments are limited to those authorized by Tennessee State Law. State statutes authorize Delta to invest in Treasury bonds, notes or bills of the United States; non-convertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or its agencies; certificates of deposit at State and Federal chartered banks and savings and loan associations, obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing instruments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the Local Government Investment Pool (“LGIP”); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Deposits and Investments (continued)

State statutes limit maturities of the above investments to two years from the date of investment unless a longer maturity is approved by the State Director of Local Finance. Investments are recorded at fair value.

Delta has not adopted a formal investment policy that limits its interest rate or credit risk. As of June 30, 2023, Delta does not have any investments.

Custodial credit risk is the risk that, in the event of a bank failure, Delta's deposits may not be returned to them. Although Delta has not adopted a formal policy, its policy is to fully collateralize bank deposits in excess of federally insured amounts.

D. Allowance for Bad Debts

The allowance for uncollectible accounts is based upon a credit review of the accounts receivable, past debt experience, current economic conditions and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors, and it is at least reasonably possible that a change in the estimate will occur in the near term. The allowance for uncollectible accounts for receivables was \$10,000 at June 30, 2023.

E. Inventory

Commodities held for nonmonetary assistance are recorded at fair value at the date of receipt and adjusted using the consumption method on a first-in/first-out (FIFO) basis. Commodities are presented as non-spendable fund balance in the fund financial statements and restricted net position in the government-wide to signify that a portion of the fund balance or net position is not available for other subsequent expenditures.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and presented as non-spendable fund balance in the fund financial statements and restricted net position in the government-wide to signify that a portion of the fund balance or net position is not available for other subsequent expenditures.

G. Capital Assets

Capital assets, which include property and equipment, of Delta are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost in excess of \$5,000 with a useful life in excess of one year. Delta's capital assets are capitalized at acquisition cost at the time of purchase. Gifts or contributions of capital assets are recorded at fair value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed. Furniture and equipment and vehicles of Delta are depreciated using the straight-line method over the following estimated useful lives: furniture and equipment's useful life is 5 years and vehicles' useful life is 5 to 10 years.

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accrued Leave

Agency employees are granted sick and annual leave in varying amounts in accordance with administrative policies. Upon termination or retirement, employees are paid full value for any accrued annual leave earned not to exceed the maximum of 320 hours. Employees may accumulate unlimited sick leave, but upon termination or retirement, no payment shall be made for unused sick leave. Vested or accumulated annual leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the general fund.

I. Unearned Revenue

Unearned grant revenues and advances payable for grants represent amounts that were received as of June 30, 2023, for which the underlying expenditures had not yet occurred.

J. Program Income

Transportation fees charged to other organizations for which Delta has provided transportation services are recognized as program income.

K. Functional Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the supplemental schedule of expenditures by program. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

L. Fund Balances

In accordance with GASB Statement No. 54, fund balances are classified as follows:

- Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of Delta's charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action. The formal action required to modify or rescind a committed amount is through a resolution adopted by the Policy Council of Delta.
- Assigned – Amounts that are designated by the Chief Executive Officer for a specific purpose but are not spendable until a resolution is passed by the Policy Council.
- Unassigned – All amounts not included in other spendable classifications.

When both restricted and unrestricted resources are available for use, it is Delta's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use in the General Fund, it is Delta's policy to use committed resources first, then assigned and then unassigned, as needed.

-Remainder of page intentionally left blank-

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

Government-wide fund net position is presented in the following three components as follows:

- Investment in capital assets – consist of the historic cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – consist of assets and deferred outflows of resources that are restricted by Delta's creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors, less any related liabilities and deferred inflows of resources.
- Unrestricted – all other assets, deferred outflows of resources, liabilities, deferred inflows of resources are reported in this category.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Delta reports pension related deferred outflows on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Delta reports related deferred inflows on the statement of net position

O. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Delta's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Delta's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE 3 – CASH AND DEPOSITS

Cash represents money on deposit in various banks. Cash is stated at cost, which approximates market value. A summary of cash balances is as follows:

Unrestricted	\$	747,873
Restricted for Transportation		2,040,992
	\$	<u>2,788,865</u>

-Remainder of page intentionally left blank-

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – CASH AND DEPOSITS (CONTINUED)

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. As of June 30, 2023, Delta participates in the State of Tennessee Bank Collateral Pool, and therefore their deposits are fully insured.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in governmental activities' capital assets for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
Governmental Activities:				
Capital Assets:				
Furniture and Equipment	\$ 489,596	\$ -	\$ -	\$ 489,596
Vehicles	1,816,648	-	(492,446)	1,324,202
Total Capital Assets at Historical Cost	<u>2,306,244</u>	<u>-</u>	<u>(492,446)</u>	<u>1,813,798</u>
Less Accumulated Depreciation For:				
Furniture and Equipment	(489,596)	-	-	(489,596)
Vehicles	(1,745,879)	(70,769)	492,446	(1,324,202)
Total Accumulated Depreciation	<u>(2,235,475)</u>	<u>(70,769)</u>	<u>492,446</u>	<u>(1,813,798)</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 70,769</u>	 <u>\$ (70,769)</u>	 <u>\$ -</u>	 <u>\$ -</u>

As of June 30, 2023, depreciation expense is \$70,769 all of which was charged to the Public Transportation for Rural Areas Program.

NOTE 5 – RESTRICTED NET POSITION/NON-SPENDABLE AND RESTRICTED FUND BALANCES

Restricted net position as of June 30, 2023, was composed of the following:

Restricted Net Position:		
Public Transportation for Nonurbanized Areas		\$ 2,624,597
Pension:		
Net Pension Asset	\$ 593,459	
Less: Deferred Inflows-Pension	<u>(226,123)</u>	<u>367,336</u>
 Total Restricted Net Position		 <u><u>\$ 2,991,933</u></u>

-Remainder of page intentionally left blank-

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 5 – RESTRICTED NET POSITION/NON-SPENDABLE AND RESTRICTED FUND BALANCES
(CONTINUED)**

Non-spendable and restricted fund balances as of June 30, 2023, were composed of the following:

Nonspendable Fund Balance:	
Commodities Inventory	\$ 210,914
Total Nonspendable Fund Balance	\$ 210,914
 Restricted Fund Balance:	
Public Transportation for Rural Areas	\$ 2,624,597
Total Restricted Fund Balance	\$ 2,624,597

NOTE 6 – COMMITMENTS AND LEASES

Delta leases its primary office space to carry out its activities and to administer the various grant programs. The annual lease, which expired on June 30, 2022, required monthly rental payments of \$3,900 and was renewed through June 30, 2023. During the year ended June 30, 2023, payments under this lease were \$46,800.

In addition, Delta leases buildings in Somerville, Covington, and Ripley to conduct grant program activities in those areas. Expenditures for those leases totaled \$86,400 in 2023. These additional leases are renewable annually beginning July 1st of each year, with the exception of the Covington building which is renewable annually beginning October 1st of each year.

All leases are generally cancelable upon mutual written consent by both parties. Lease payment details and future minimum payments are as follows:

Property Description	Monthly Lease Pmt	Future Minimum Lease Pmt 2024
Building - Somerville	\$ 1,400	\$ 4,200
Building - Somerville	1,500	1,500
Building - Covington	1,000	3,000
Building - Covington	3,900	-
Building - Ripley	600	3,600
Total	\$ 8,400	\$ 12,300

-Remainder of page intentionally left blank-

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION PLAN

Plan description. Employees of Delta Human Resource Agency are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>25</u>
	<u>65</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Delta Human Resource Agency makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023 the employer contributions for Delta Human Resource Agency were \$49,648 based on a rate of 5 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Delta Human Resource Agency's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pension liabilities (assets). Delta Human Resource Agency's net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION PLAN (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Delta Human Resource Agency will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Changes in the Net Pension Liability (Asset)		
	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at June 30, 2021	\$ 5,103,517	\$ 6,495,734	\$ (1,392,217)
Changes for the year			
Service Cost	84,430	-	84,430
Interest	340,620	-	340,620
Differences between expected and actual experience	223,849	-	223,849
Contributions - Employer	-	48,708	(48,708)
Contributions - Employees	-	48,708	(48,708)
Net Investment Income	-	(244,898)	244,898
Benefit payments, including refunds of employee contributions	(283,455)	(283,455)	-
Administrative Expense	-	(2,377)	2,377
Net Changes	365,444	(433,314)	798,758
Balance at June 30, 2022	\$ 5,468,961	\$ 6,062,420	\$ (593,459)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Delta Human Resource Agency calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Delta's Net Pension Liability (Asset) \$	127,219	\$ (593,459)	\$ (1,186,081)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2023, Delta Human Resource Agency recognized pension expense (negative pension expense) of \$170,108.

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION PLAN (CONTINUED)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, Delta Human Resource Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 197,947	\$ 226,123
Net difference between projected and actual earnings on pension plan investments	3,720	-
Changes in assumptions	121,895	-
Contributions subsequent to the measurement date of June 30, 2022	49,648	-
Total	\$ 373,210	\$ 226,123

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022, “ will recognize as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2024	\$ (6,626)
2025	(28,322)
2026	(3,016)
2027	135,403
2028	-
Thereafter	-
	\$ 97,439

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2023, Delta Human Resource Agency reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

NOTE 8 – ACCRUED LEAVE

At June 30, 2023, accrued leave activity was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
Accrued Leave	\$ 50,091	\$52,310	\$ (41,869)	\$ 60,532

**DELTA HUMAN RESOURCE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - RISK MANAGEMENT

Delta participates in Public Entity Partners (formerly known as the Tennessee Municipal League (TML) Risk Management Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League, for the following risk of loss: commercial general liability; theft of, damage to, or destruction of real and personal property; employee dishonesty; bodily injury, property damage, physical damage; personal injury liability for vehicle operation; and worker's compensation and employer's liability. Delta pays annual premiums. The agreement also provides for refunds to members and additional member assessments. Additional member assessments are based on the experience of the pool. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. There was no significant reduction in the amount of coverage provided during the year end June 30, 2023.

Delta elected to provide vision, dental, life, accident, and cancer insurance coverage for its employees through commercial insurance policies. Delta's obligation for all coverage selected by employee is limited to \$75 per month per employee.

NOTE 10 – CONCENTRATION OF REVENUE – GRANTS

Delta received the majority of its revenue from federal, state, and local government grants which require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. Delta's ability to continue its programs is directly dependent upon the grantors' continued revenue funding.

NOTE 11 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Delta Human Resource Agency does not have an annual appropriated budget. Grant documents serve as the financial plans for budgetary purposes.

NOTE 12 – SUBSEQUENT EVENTS

Delta has evaluated subsequent events through March 22, 2024, the date which the financial statements were available to be issued. No events were found that needed disclosure.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

There were three prior period adjustments that effected both the general fund and government-wide net position equally. First, there was a miscalculation in accrued vacation in the prior year causing it to be understated by \$18,331. Secondly, insurance proceeds were improperly classified in a prior period causing revenues to be overstated by \$4,797. Lastly, there were several stale receivable accounts that would not be collected causing an overstatement in assets by \$11,334. Cumulatively, these adjustments decreased both fund balance and unrestricted net position by \$2,200.

-End of Notes-

DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability									
Service cost	\$ 88,414	\$ 97,970	\$ 86,662	\$ 77,176	\$ 96,222	\$ 105,592	\$ 100,670	\$ 83,723	\$ 84,430
Interest	241,681	270,063	262,246	287,768	313,928	331,749	347,728	368,111	340,620
Differences between actual & expected experience	84,834	(338,956)	145,982	142,430	(29,339)	(7,910)	120,246	(439,304)	223,849
Change of assumptions	-	-	-	76,859	-	-	-	243,791	-
Benefit payments, including refunds of employee contributions	(46,717)	(45,381)	(198,621)	(91,614)	(128,663)	(160,083)	(248,144)	(292,950)	(283,455)
Net Change in total pension liability	368,212	(16,304)	296,269	492,619	252,148	269,348	320,500	(36,629)	365,444
Total pension liability - beginning	3,157,354	3,525,566	3,509,262	3,805,531	4,298,150	4,550,298	4,819,646	5,140,146	5,103,517
Total pension liability - ending (a)	\$ 3,525,566	\$ 3,509,262	\$ 3,805,531	\$ 4,298,150	\$ 4,550,298	\$ 4,819,646	\$ 5,140,146	\$ 5,103,517	\$ 5,468,961
Plan fiduciary net position									
Contributions - employer	\$ 144,724	\$ 138,273	\$ 128,471	\$ 145,679	\$ 151,661	\$ 142,072	\$ 59,731	\$ 51,372	\$ 48,708
Contributions - employee	66,448	64,253	59,698	67,569	70,344	65,896	59,731	51,372	48,708
Net investment income	478,581	108,314	98,045	437,153	365,113	359,695	255,290	1,351,801	(244,898)
Benefit payments, including refunds of employee contributions	(46,717)	(45,381)	(198,621)	(91,614)	(128,663)	(160,083)	(248,144)	(292,950)	(283,455)
Administrative expense	(1,465)	(1,817)	(2,489)	(3,492)	(3,894)	(3,417)	(2,828)	(2,282)	(2,377)
Net change in plan fiduciary net position	641,571	263,642	85,104	555,295	454,561	404,163	123,780	1,159,313	(433,314)
Plan fiduciary net position - beginning	2,808,305	3,449,876	3,713,518	3,798,622	4,353,917	4,808,478	5,212,641	5,336,421	6,495,734
Plan fiduciary net position - ending (b)	\$ 3,449,876	\$ 3,713,518	\$ 3,798,622	\$ 4,353,917	\$ 4,808,478	\$ 5,212,641	\$ 5,336,421	\$ 6,495,734	\$ 6,062,420
Net Pension Liability (asset) - ending (a) - (b)	\$ 75,690	\$ (204,256)	\$ 6,909	\$ (55,767)	\$ (258,180)	\$ (392,995)	\$ (196,275)	\$ (1,392,217)	\$ (593,459)
Plan fiduciary net position as a percentage of total pension liability	97.85%	105.82%	99.82%	101.30%	105.67%	108.15%	103.82%	127.28%	110.85%
Covered-employee payroll	1,328,966	1,285,065	1,193,968	1,351,381	1,406,877	1,317,924	1,194,618	1,027,429	974,163
Net pension liability (asset) as a percentage of covered-employee payroll	5.70%	-15.89%	0.58%	-4.13%	-18.35%	-29.82%	-16.43%	-135.50%	-60.92%

Notes to Schedule:

Changes of assumptions: In 2022, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 144,724	\$ 138,273	\$ 128,471	\$ 145,679	\$ 151,661	\$ 135,430	\$ 36,316	\$ 31,234	\$ 48,708	\$ 49,648
Contributions in relation to the actuarially determined contribution	144,724	138,830	128,471	145,679	151,661	135,430	59,731	51,372	48,708	49,648
Contribution in deficiency (excess)	\$ -	\$ (557)	\$ -	\$ -	\$ -	\$ -	\$ (23,415)	\$ (20,138)	\$ -	\$ -
Covered - employee payroll	\$ 1,328,966	\$ 1,285,065	\$ 1,193,968	\$ 1,351,381	\$ 1,406,877	\$ 1,317,924	\$ 1,194,618	\$ 1,027,429	\$ 974,163	\$ 992,970
Contributions as a percentage of covered - employee payroll	10.89%	10.80%	10.76%	10.78%	10.78%	10.28%	5.00%	5.00%	5.00%	5.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

Changes of assumptions:

In 2022, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See Independent Auditors' Report.

**DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023**

	Public Transportation for Nonurbanized Areas	Low Income Home Energy Assistance	Community Services Block Grant	Weatherization Assistance for Low Income Persons	USDA	Other Programs	Total
Audit	\$ 30,637	\$ 16,397	\$ 3,472	\$ -	\$ 164	\$ -	\$ 50,670
Building Rent	53,284	8,720	25,481	1,190	-	-	88,675
Client Services Program Assistance	129,674	1,645,409	35,599	31	329,882	-	2,140,595
Contracted Services	143,568	2,673	9,071	-	-	250	155,562
Dues, Subscriptions, Publications	20,922	392	-	-	-	-	21,314
Equipment Rent	13,190	3,811	3,925	-	-	-	20,926
Food	-	-	-	-	-	2,746	2,746
Fringe Benefits	39,861	3,302	5,561	-	937	1,103	50,764
General Insurance	88,325	270	243	162	-	1,216	90,216
Insurance Premiums	49,868	5,049	14,306	199	907	5,124	75,453
Local Travel	-	-	544	-	-	-	544
Other	16	-	-	-	-	28,949	28,965
Out-of-Area Travel	929	-	987	-	-	-	1,916
Payroll Taxes	75,927	6,027	21,624	-	1,588	1,976	107,142
Postage & Shipping	1,620	1,260	14	-	-	-	2,894
Printing	303	-	-	-	-	418	721
Salaries	1,011,456	82,468	178,112	-	21,246	29,939	1,323,221
Supplies	15,440	2,249	4,976	-	750	-	23,415
Telephone	47,620	3,390	12,217	190	-	-	63,417
Training and Technical Assistance	22,543	1,226	3,248	-	-	-	27,017
Utilities	3,395	912	11,601	290	-	-	16,198
Vehicle Fuel and Maintenance	291,724	-	658	-	50	-	292,432
Indirect Costs	(176,371)	122,677	56,509	-	4,304	(4,728)	2,391
Total Expenditures	\$ 1,863,931	\$ 1,906,232	\$ 388,148	\$ 2,062	\$ 359,828	\$ 66,993	\$ 4,587,194

See Independent Auditors' Report.

DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Assistance Listing Number	Grant Number	Receivable (Unearned) Beginning Balance	Transfers (In) Out	Receipts	Expenditures	Receivable (Unearned) Ending Balance
FEDERAL AWARDS							
Federal Financial Assistance - Cash							
U.S. Department of Agriculture:							
<i>passed through Tennessee Department of Agriculture</i>							
Emergency Food Assistance Program - Administrative Costs	10.568	66713	\$ 1	\$ -	\$ -	\$ -	\$ 1
Emergency Food Assistance Program - Administrative Costs	10.568	45383	1	-	-	-	1
Emergency Food Assistance Program - Administrative Costs	10.568	84775	3,354	-	12,596	9,242	-
Emergency Food Assistance Program - Administrative Costs	10.568	90045	-	-	16,311	19,608	3,297
<i>Subtotal 10.568</i>			<u>3,356</u>	<u>-</u>	<u>28,907</u>	<u>28,850</u>	<u>3,299</u>
Total US Department of Agriculture			<u>3,356</u>	<u>-</u>	<u>28,907</u>	<u>28,850</u>	<u>3,299</u>
U.S. Department of Transportation:							
<i>passed through Tennessee Department of Transportation</i>							
Formula Grants for Rural Areas	20.509	Z-22-5311-14	141,415	-	553,466	412,051	-
Formula Grants for Rural Areas	20.509	Z-23-5311-14	-	-	149,258	440,191	290,933
<i>Subtotal 20.509</i>			<u>141,415</u>	<u>-</u>	<u>702,724</u>	<u>852,242</u>	<u>290,933</u>
Total US Department of Transportation			<u>141,415</u>	<u>-</u>	<u>702,724</u>	<u>852,242</u>	<u>290,933</u>
U.S. Department of Health and Human Services							
<i>passed through Tennessee Housing Development Agency</i>							
Low Income Home Energy Assistance	93.568	LIHEAP23-05	-	-	134	401,773	401,639
Low Income Home Energy Assistance	93.568	LIHEAP22-05	-	-	1,081,126	1,198,929	117,803
Low Income Home Energy Assistance	93.568	LIHEAP21-05	28,669	-	132,827	104,158	-
Low Income Home Energy Assistance CARES	93.568	LIHEAPCARES-05	-	-	130,800	130,800	-
Low Income Household Water Assistance Program	93.568	LIHWAP 22-05	-	-	171,656	187,294	15,638
<i>Subtotal 93.568</i>			<u>28,669</u>	<u>-</u>	<u>1,516,543</u>	<u>2,022,954</u>	<u>535,080</u>
<i>passed through Tennessee Department of Human Services</i>							
Community Services Block Grant	93.569	Z21-49106	2,252	-	5,189	2,937	-
Community Services Block Grant	93.569	Z22-49106	60,900	-	167,655	106,755	-
Community Services Block Grant	93.569	Z23-49106	-	-	167,415	203,996	36,581
Community Services Block Grant	93.569	Z22-49106 COV	-	-	79,052	79,052	-
<i>Subtotal 93.569</i>			<u>63,152</u>	<u>-</u>	<u>419,311</u>	<u>392,740</u>	<u>36,581</u>
Total US Department of Health and Human Services			<u>91,821</u>	<u>-</u>	<u>1,935,854</u>	<u>2,415,694</u>	<u>571,661</u>

See Independent Auditors' Report and Notes to Schedule.

DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Assistance Listing Number	Grant Number	Receivable (Unearned) Beginning Balance	Transfers (In) Out	Receipts	Expenditures	Receivable (Unearned) Ending Balance
U.S. Department of Homeland Security							
<i>passed through United Way of West Tennessee</i>							
Emergency Food and Shelter National Board Program	97.024	39-7718-00	\$ -	\$ -	\$ 9,109	\$ 7,995	\$ (1,114)
Emergency Food and Shelter National Board Program	97.024	CARES-7718-00	-	-	28,153	26,291	(1,862)
Emergency Food and Shelter National Board Program	97.024	39-7794-00	-	-	8,763	8,539	(224)
Emergency Food and Shelter National Board Program	97.024	CARES-7794-00	-	-	26,961	25,951	(1,010)
<i>Subtotal 97.024</i>			-	-	72,986	68,776	(4,210)
Total US Department of Homeland Security			-	-	72,986	68,776	(4,210)
Total Federal Financial Assistance - Cash			236,592	-	2,740,471	3,365,562	861,683
Federal Financial Assistance - Noncash							
U.S. Department of Agriculture:							
<i>passed through Tennessee Department of Agriculture</i>							
Emergency Food Assistance Program - Food Commodities	10.569	84775	(194,988)	160,874	38,631	72,745	-
Emergency Food Assistance Program - Food Commodities	10.569	90045	-	(160,874)	239,282	189,242	(210,914)
<i>Subtotal 10.569</i>			(194,988)	-	277,913	261,987	(210,914)
Total US Department of Agriculture			(194,988)	-	277,913	261,987	(210,914)
Total Federal Financial Assistance - Noncash			(194,988)	-	277,913	261,987	(210,914)
TOTAL FEDERAL FINANCIAL ASSISTANCE- CASH AND NONCASH			\$ 41,604	\$ -	\$ 3,018,384	\$ 3,627,549	\$ 650,769
STATE AWARDS							
State Financial Assistance - Cash							
Tennessee Department of Transportation							
Formula Grants for Rural Areas	N/A	Z-22-5311-14	\$ 57,677	\$ -	\$ 268,328	\$ 210,651	\$ -
Formula Grants for Rural Areas	N/A	Z-23-5311-14	-	-	103,956	213,642	109,686
Total Tennessee Department of Transportation			57,677	-	372,284	424,293	109,686
Tennessee Department of Finance							
Tennessee Direct Appropriations	N/A	Unknown	-	-	145,890	145,890	-
Total Tennessee Department of Finance			-	-	145,890	145,890	-
Tennessee Department of Correction							
TN Department of Correction	N/A	Unknown	-	-	300	300	-
Total Tennessee Department of Correction			-	-	300	300	-
Total State Financial Assistance - Cash			57,677	-	518,474	570,483	109,686
TOTAL STATE FINANCIAL ASSISTANCE- CASH AND NONCASH			\$ 57,677	\$ -	\$ 518,474	\$ 570,483	\$ 109,686
TOTAL FINANCIAL ASSISTANCE			\$ 99,281	\$ -	\$ 3,536,858	\$ 4,198,032	\$ 760,455

(M) = Major Federal Financial Assistance Program

**DELTA HUMAN RESOURCE AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal and state award activity of Delta Human Resource Agency under programs of federal and state governments for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Delta Human Resource Agency, it is not intended to and does not present the financial position and changes in net position of Delta Human Resource Agency.

Note 2 - Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not available or are limited as to reimbursement.

Delta Human Resource Agency does have an approved indirect cost allocation plan and therefore is not subject to using the 10 percent de minimis indirect cost rate as allowed by Uniform Guidance.

The net grant receivable/(unearned) ending balance at June 30, 2023 consists of the following:

Grants Receivable/(Unearned):	
Grantor Receivables	\$ 975,579
Unearned Grant Revenue	(4,210)
Commodities Inventory	<u>(210,914)</u>
Net Grants Receivable/(Unearned)	<u>\$ 760,455</u>

Commodities reported as expenditures in the schedule represent the fair value of commodities distributed to participants. Grant revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund include the fair market value of such commodities when received. As a result, total federal cash and non-cash awards expended differ from federal grant revenues by \$15,926.

Note 3 - Emergency Food Assistance

Nonmonetary assistance is reported in the schedule at fair value of the commodities received and disbursed. At June 30, 2023, Delta had food commodities totaling \$210,914 in inventory.



CRS CPAs ^{P.C.}
YOUR STRATEGIC ACCOUNTING PARTNER

Members: Association of International Certified Public Accountants | Tennessee Society of Certified Public Accountants
Governmental Audit Quality Center | www.crscpa.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Delta Human Resource Agency
Covington, Tennessee

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 (*Government Auditing Standards*), the financial statements of the governmental activities and the major fund of Delta Human Resource Agency (Delta) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Delta's basic financial statements, and have issued our report thereon dated March 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delta'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delta's internal control. Accordingly, we do not express an opinion on the effectiveness of Delta'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.

64 Lynoak Cv
Jackson, TN 38305
(731)668-1806
Fax (731)668-9543

1205 East Wood St, Ste B
Paris, TN 38242
(731)642-1755
Fax (731)644-0413

304 Broadway St
Martin, TN 38237
(731)587-4221
Fax (731)587-9474

11 N. Court Square
Brownsville, TN 38012
(731)772-2273
Fax (731)772-2275

110 West Court
Dyersburg, TN 38024
(731)286-6080
Fax (731)285-8975

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delta'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "CRS CPAs". The letters are stylized and cursive.

CRS CPAs, P.C.
Jackson, Tennessee
March 22, 2024



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

To the Board of Directors
Delta Human Resource Agency
Covington, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Delta Human Resource Agency's ("Delta") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Delta's major federal programs for the year ended June 30, 2023. Delta'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, Delta complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Delta 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 Delta'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 requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Delta's federal program.

Auditors' 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 Delta's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. 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 Delta's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement 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 Delta'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 Delta's internal controls 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 purposes of expressing an opinion on the effectiveness of Delta'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Delta's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Delta's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Delta's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Delta's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "CRS CPAs". The letters are stylized and cursive.

CRS CPAs, P.C.
Jackson, Tennessee
March 22, 2024

**DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS
JUNE 30, 2023**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Delta Human Resource Agency.
2. Internal Control Over Financial Reporting:
 - Material Weaknesses Identified? No
 - Significant Deficiency Identified? No
3. Noncompliance material to the financial statements noted? No

Federal Awards and Questioned Costs

4. Internal Control Over Major Federal Programs:
 - Material Weaknesses Identified? No
 - Significant Deficiency Identified? Yes
5. Type of auditors' report issued on compliance for major federal programs: unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?
Yes
7. The programs tested as major programs included: Food Distribution Cluster – ALN 10.568 and 10.569; Formula Grants for Rural Areas and Tribal Transit Program – ALN 20.509; Community Services Block Grant – ALN 93.569
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Delta Human Resource Agency was not determined to be a low-risk auditee.

SECTION 2 - FINDINGS

Current Year Financial Statements Findings

No current year findings.

Current Year Federal Awards and Questioned Costs Findings

2023-001: Excess Reimbursement Requested (Formula Grants for Rural Areas and Tribal Transit Program – ALN 20.509) - Significant Deficiency and Noncompliance

Finding: Several instances were noted where more hours than worked were turned in for reimbursement from the granting agency. In addition, an instance was noted where a USDA employee's time was charged to the transportation grant.

Criteria: The Agency should only request funds they have earned from the granting agency.

Cause: The program manager used a spreadsheet to recap the employees' time and did not always reduce the employees' time for the employees' lunch period. As reimbursement requests were prepared the spreadsheet was relied upon instead of the actual timesheet. The instance where the employee's time was charged to the wrong grant was just an oversight.

Effect: The Agency received funds in excess of actual earned amounts. Our testing resulted in \$694.08 of potential questioned costs.

**DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS
JUNE 30, 2023**

Recommendation: If the program manager is going to use a spreadsheet, extra caution needs to be taken to ensure the amounts are transferred correctly. Also the deputy director should either rely on the actual timesheet or verify the spreadsheet matches the time sheet prior to reimbursement request. The Agency needs to take extra caution reviewing employees time as it relates to each program.

Management's Response: We concur with this finding.

DELTA HUMAN RESOURCE AGENCY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status
2022-001	Maintenance of General Ledger (Original finding #2020-001)	Corrected
2022-002	Timeliness of Closing Official Accounting Records (Original finding #2021-002)	Corrected

Federal Award Findings & Questioned Costs

Prior Year Finding Number	Finding Title	Status
2022_003	Excess Client Benefits Paid (Transportation grants- ALN #20.509) (Original finding #2021-003)	Repeated as Finding #2023-001

DELTA HUMAN RESOURCE AGENCY

Post Office Box 634
Covington, Tennessee 38019
Telephone (901) 476-5226
Fax (901) 476-9275

Rhea "Skip" Taylor
Chairman

Adrienne McGarity
Executive Director

MANAGEMENT'S CORRECTIVE ACTION PLAN

Delta Human Resource Agency respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:
CRS CPAs, P.C.
64 Lynoak Cove
Jackson, TN 38305

Audit period:
June 30, 2023

The findings from the June 30, 2023, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2023-001: Excess Reimbursement Requested (Formula Grants for Rural Areas and Tribal Transit Program – ALN 20.509) - Significant Deficiency and Noncompliance

Person Responsible for Implementing the Corrective Action: Adrienne McGarity, Executive Director

Anticipated Completion Date of Corrective Action: June 30, 2024

Repeated Finding: Yes

Planned Corrective Action: We concur with this finding. Policies will be adjusted, where deemed necessary. Extra care will be taken to ensure the amounts are transferred correctly. We will take extra caution reviewing employees time as it relates to each program.

Respectfully Submitted,



Adrienne McGarity, Executive Director