

East Tennessee Human Resource Agency, Inc.

Annual Financial Report
June 30, 2011

East Tennessee Human Resource Agency, Inc.
Table of Contents
June 30, 2011

	<u>Page</u>
Roster of Officials	
Management's Discussion and Analysis	1-5
Independent Auditor's Report	7-8
Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet-Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Statement of Net Assets-Proprietary Funds	14
Statement of Revenues, Expenditures, and Changes in Net Assets- Proprietary Funds	15
Statement of Cash Flows-Proprietary Funds	16
Statement of Net Assets-Fiduciary Funds	17
Statement of Changes in Net Assets-Fiduciary Funds	18
Notes to Financial Statements	19-27
Other Financial Information	29-33
Schedule of Grant Activity	35-38
Schedule of Grant Activity-Noncash	39
Schedule of Expenditures of Federal Awards and State Grants	40-42
Schedule of Findings and Questioned Costs	43-44
Reports on Compliance and on Internal Control	45-48

East Tennessee Human Resource Agency, Inc.
Gary W. Holiway, Executive Director
Board of Directors and Policy Council
As of June 30, 2011

Anderson County

- * County Mayor Myron Iwanski
- Mayor Scott Burton, Clinton
- Mayor Tim Sharp, Lake City
- Mayor Chris Mitchell, Norris
- Mayor Tom Beeham, Oak Ridge
- Mr. Tim Thompson
- * * Mr. Ken Veach

Blount County

- County Mayor Ed Mitchell
- * Mayor Donald Mull, Alcoa
- Mayor Tom Taylor, Maryville
- Mayor Tom Bickers, Louisville
- Mayor Patrick Jenkins, Townsend
- Mayor Carl Koella
- Mayor David Staley, Friendsville
- * * Lewis Masingo
- Bryan Daniels

Campbell County

- * **County Mayor William Baird - Secretary**
- Mayor Robert Stooksbury, Caryville
- Mayor Mike Stanfield, LaFollette
- Mayor Jack Cannon, Jacksboro
- Mayor Les Stiers, Jellico
- * * Mr. Tom Stiner

Claiborne County

- * County Mayor Jack Daniels
- Mayor John Douglas, Cumberland Gap
- Mayor Bill Fultz, Harrogate
- Mayor Jerry Beeler, New Tazewell
- Mayor Wayne Jessie, Tazewell
- * Ms. Robin Mason

Cocke County

- * County Mayor Vaughn Moore
- Mayor Mary Keller, Parrottsville
- Mayor Connie Ball, Newport
- * * Mr. Tim Dockery

Grainger County

- * County Mayor Mark Hipsher
- Mayor Terry Wolfe, Bean Station
- Mayor Patsy McElhaney, Blaine
- Mayor Danny Turley, Rutledge
- Mr. David Lietzke

Hamblen County

- * County Mayor Bill Brittain
- Mayor Danny Thomas, Morristown
- * * Mr. C. Thomas Robinson

Jefferson County

- County Mayor Alan Palmieri
- Mayor Michael Keane, Baneberry
- Mayor George Gante, Dandridge
- Mayor Mark Potts, Jefferson City
- Mayor Charles Guinn, New Market
- Mayor Stanley Wilder, White Pine
- Mr. Rodney Davis
- * * Ms. Joan Bolden
- * * Ms. Diane Howard

Knox County

- County Mayor Tim Burchett
- Mayor Ralph McGill, Farrugut
- Mayor Daniel Brown, Knoxville
- Mr. Dean Rice
- * * Ms. Barbara Monty

Loudon County

- * **County Mayor Estelle Herron - Treasurer**
- Mayor Tom Peeler, Greenback
- Mayor Tony Aikens, Lenoir City
- Mayor Judy McGill Keller, Loudon
- Mayor Paul Stallings, Philadelphia
- Ms. Pat Phillips
- * * Mr. Bryant Howard

Monroe County

- * County Mayor Tim Yates
- Mayor Alfred McClendon, Madisonville
- Mayor Doyle Lowe, Sweetwater
- Mayor Roger Powers, Tellico Plains
- Mayor Larry Summey, Vonore
- Ms. Shan Harris

Morgan County

- * County Executive Don Edwards
- Mayor Joey Williams, Wartburg
- Mayor Vic Jeffers, Oakdale
- Mayor Dennis Reagan, Sunbright
- * * Ms. Sharon Heidel

Roane County

- * County Executive Ron Woody
- Mayor Chris Mason, Harriman
- Mayor Troy Beets, Kingston
- Mayor Chris Helper, Oliver Springs
- Mayor James Watts, Rockwood
- * * Mr. Jerry Johnson
- Leslie Henderson

Scott County

- * County Mayor Jeff Tibbals
- Mayor George Potter, Huntsville
- Mayor Jack Lay, Oneida
- Mayor Virgil Cecil, Winfield
- Mr. David Cross

Sevier County

- * **County Mayor Larry Waters - Chair**
- Mayor Mike Helton, Gatlinburg
- Mayor Keith Whaley, Pigeon Forge
- Mayor Glenn Cardwell, Pittman Center
- Mayor Bryan Atchley, Sevierville
- Ms. Earlene Teaster

Union County

- * County Mayor Mike Williams
- Mayor Johnny Merritt, Luttrell
- Mayor Paul Bowman, Maynardville
- Mayor Gary Chandler, Plainview
- * * Mr. William Von Schippmann

General Assembly

- * Senator Ken Yager
- * Representative Kelly Keisling

- * Policy Council and Governing Board
- * * Policy Council Only

Financial Summary

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
ASSETS			
Cash and cash equivalents	\$ 5,022,576	\$ 5,257,803	\$ (235,227)
Capital assets (net of accumulated depreciation)	5,736,865	5,045,497	691,368
Receivables from grantors, contractors, and others	6,502,967	6,143,441	414,526
Prepaid expenses and deposits	460,072	241,466	218,606
TOTAL ASSETS	\$17,722,480	\$16,688,207	1,089,273
TOTAL LIABILITIES	\$ 7,671,670	\$ 7,801,220	(74,548)
Investment in capital assets	5,486,356	4,973,928	512,428
Restricted net assets	1,141,517	876,797	264,720
Unrestricted net assets	3,422,937	3,036,262	386,675
TOTAL NET ASSETS	\$10,050,810	\$ 8,886,987	1,163,823
REVENUES:			
Operating grants and contributions	\$35,447,561	\$34,724,041	723,520
Capital grants and contributions	1,958,754	2,575,373	(616,619)
Charges for services	10,596,616	10,398,701	197,915
Assessment to local governments	231,300	237,300	(6,000)
TOTAL REVENUES	\$48,234,231	\$47,935,415	298,816
TOTAL EXPENSES	\$47,070,408	\$45,019,448	2,050,960
CHANGE IN NET ASSETS	\$ 1,163,823	\$ 2,915,967	(1,752,144)

Analysis of Financial Position

The nature of operating grants and social programs require great attention to available cash. Many of the grants and programs operate on a reimbursement basis. In those cases, cash is needed to fund operations for a time until the reimbursement is received. Therefore, it is critical to manage available cash to ensure that programs can continue operating when services are needed.

In addition to the issue of reimbursement, many grants and contracts require a cash match as a condition to operating the grant. The only form of unrestricted cash available to ETHRA is the assessments to the counties served by ETHRA and undesignated

ETHRA is the assessments to the counties served by ETHRA and undesignated donations. In 2011 ETHRA received an appropriation from the State of Tennessee budget.

Total assets increased in fiscal year 2011 over 2010, mostly as a result of purchases of transportation vans.

Total expenses increased due to increased depreciation on newly purchased capital items, and spending for the increased funding levels in the programs.

Program Highlights

In February 2009 President Obama signed the American Recovery and Reinvestment Act (ARRA). This legislation seeks to stimulate the economy by preserving and creating jobs, providing tax cuts and credits to working families and businesses, expanding renewable energy, and improving the nation's infrastructure. ETHRA has contracts with various agencies of the State of Tennessee and other grantors for ARRA funding for several of the programs. Most ARRA grant activity began in fiscal year 2010 and was completed in fiscal year 2011. These grants are tracked and reported on separate lines on the Grant Schedules.

Overall, each of the programs at ETHRA has operated without material deviation from budget.

The Transportation program operated at net revenue of \$445,295. On government-wide basis this results in net revenue of \$914,585, which includes net GASB34 adjustments of \$469,290. These adjustments include depreciation and the capitalization of vans and maintenance facility additions for GASB34 presentation. In fiscal year 2010, the program operated at net revenue of \$247,504.

ETHRA has entered into contracts with AmeriChoice to operate a Call Center/Transport Program for AmeriChoice TennCare clients in east and middle Tennessee. This activity is reflected in the Proprietary Fund. Through this contract, ETHRA has subcontracts with vendors to provide transports. The aim of this program has been to position ETHRA for a role in any changes for the on-going delivery of transportation for TennCare clients in the State. In addition, to date, this program has produced additional funds into the Agency to assist in carrying out its mission.

In fiscal year 2008, the SSI Representative Payee was moved from the HRS fund to the Fiduciary fund to more accurately reflect the activity of this program. In May 2009, a decision was made to discontinue the SSI Payee program. The phase-out was completed in fiscal year 2011.

Economic Factors and Next Fiscal Year

ETHRA contracts primarily with the State of Tennessee agencies. As various economic factors impact the state, federal, and local governments, ETHRA can be affected by the amounts of funding available through grants and contracts. These effects can be positive or negative due to the economic environment.

The overall Agency operations are expected to decrease slightly as the slow economic growth continues to pressure state, federal, and local governments.

Contact information

For further information about financial matters at ETHRA, please contact the Finance Director at: East Tennessee Human Resource Agency, Inc., 9111 Cross Park Drive, Suite D-100, Knoxville, TN, 37923.

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CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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SUITE 300, MILLENNIUM SQUARE
MORRISTOWN, TENNESSEE 37816-1779
423-586-7650

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Tennessee Human Resource Agency, Inc.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. (ETHRA), Knoxville, Tennessee as of and for the year ended June 30, 2011, which collectively comprise ETHRA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ETHRA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ETHRA, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

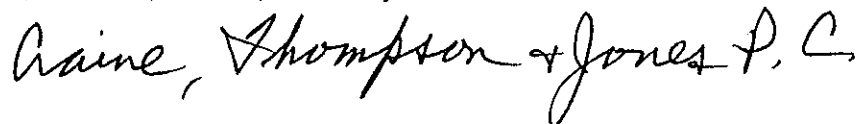
In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of ETHRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

JAMES W. CRAINE, CPA
GLENN B. THOMPSON, CPA, CFP, PFS
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA
HIRAM H. JONES, CPA

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 25 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ETHRA's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal awards, Schedule of Grant Activity-Noncash, and Schedule of Expenditures of Federal Awards and State Grants are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not required parts of the financial statements. The schedule of expenditures of federal awards, schedule of grant activity-noncash, and schedule of expenditures of federal awards and state grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Craine, Thompson & Jones P.C.".

Morristown, Tennessee
December 1, 2011

East Tennessee Human Resource Agency, Inc.

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,054,870	\$ 1,962,706	\$ 5,017,576
Investments	5,000		5,000
Receivables, net of allowance for uncollectible accounts	5,607,346	-	5,607,346
Loans receivable	895,621		895,621
Deposits	17,065		17,065
Prepaid expenditures	442,399	608	443,007
Capital assets, not being depreciated			
Land	32,614		32,614
Capital assets, net of accumulated depreciation			
Buildings	994,722		994,722
Furniture and equipment	966,718	188,433	1,155,151
Vehicles	3,450,791	49,250	3,500,041
Leasehold improvements	54,337		54,337
Total capital assets	<u>5,499,182</u>	<u>237,683</u>	<u>5,736,865</u>
Total assets	<u>15,521,483</u>	<u>2,200,997</u>	<u>17,722,480</u>
<u>LIABILITIES</u>			
Accounts payable	3,366,957	50,425	3,417,382
Accrued expenses	1,664,483	291,610	1,956,093
Deferred revenue	2,004,016		2,004,016
Internal payable, net	29,190		29,190
Advances	68,593		68,593
Long-term liabilities			
Due within one year	178,523		178,523
Due in more than one year	17,873		17,873
Total liabilities	<u>7,329,635</u>	<u>342,035</u>	<u>7,671,670</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	5,486,356		5,486,356
Restricted for:			
THDA - House Loan	1,016,702		1,016,702
MVEOA	112,860		112,860
Character Counts Program	6,955		6,955
East Tennessee Foundation Investment	5,000		5,000
Unrestricted	1,563,975	1,858,962	3,422,937
Total net assets	<u>\$ 8,191,848</u>	<u>\$ 1,858,962</u>	<u>\$ 10,050,810</u>

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Direct	Indirect	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
						Governmental Activities	Business-type Activities	
Primary government								
Governmental activities								
General government	\$ 2,445,249	\$ (2,208,900)	\$ 77,299	\$ 1,310	\$	(157,740)	\$	(157,740)
Aging	8,199,515	367,133	168,833	8,604,486		206,671		206,671
Transportation	7,624,411	800,564	3,350,952	4,029,854	1,958,754	914,585		914,585
Workforce development	8,581,898	312,501		8,737,745		(156,654)		(156,654)
Housing and restoration	9,095,080	69,061	46,310	9,006,580		(111,251)		(111,251)
AIDS support	920,897	22,608		933,455		(10,050)		(10,050)
Corrections and probation	1,760,669	121,762	81,439	1,793,349		(7,643)		(7,643)
Child development	1,333,004	24,519		1,343,323		(14,200)		(14,200)
Family assistance	447,107	58,873		484,960		(21,020)		(21,020)
Mountain Valley	485,401	54,765	12,497	512,499		(15,170)		(15,170)
SSI representative payee administration	(5,227)	-	-	5,227		5,227		5,227
Loan	135,026	-	25,258			(109,768)		(109,768)
Total governmental activities	41,023,030	(377,114)	3,762,588	35,447,561	1,958,754	522,987		522,987
Business-type activities								
Miscellaneous	1,409,204	195,362	1,454,478				(150,088)	(150,088)
Call center	989,428	128,637	1,633,618				515,553	515,553
HUD housing choice voucher	3,648,746	53,115	3,745,932				44,071	44,071
Total business-type activities	6,047,378	377,114	6,834,028					
Total primary government	\$ 47,070,408	\$ -	\$ 10,596,616	\$ 35,447,561	\$ 1,958,754	\$ 522,987	\$ 409,536	\$ 932,523
General revenues:								
Assessments to local governments								
Total general revenues						231,300		231,300
Change in net assets								
Net assets - beginning						231,300		231,300
Transfer to business-type						754,287	409,536	1,163,823
Net assets - ending						7,455,585	1,431,402	8,886,987
						(18,024)	18,024	-
						8,191,848	1,858,962	10,050,810

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Balance Sheet
Governmental Funds
June 30, 2011

	General	Human Resource Services	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,022,920	\$ 1,031,950	\$ 3,054,870
Investments	5,000		5,000
Grant and contract receivables, net of allowance for uncollectibles		5,586,328	5,586,328
Other receivables	21,018		21,018
Loans receivable		895,621	895,621
Deposits	17,065		17,065
Prepaid expenditures	349,624	92,775	442,399
Total assets	\$ 2,415,627	\$ 7,606,674	\$ 10,022,301
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	210,047	3,156,910	3,366,957
Due to other funds	29,190	-	29,190
Accrued expenses	592,703	1,071,780	1,664,483
Deferred revenue	1,027,387	976,629	2,004,016
Advances		68,593	68,593
Total liabilities	1,859,327	5,273,912	7,133,239
 Fund balances:			
Nonspendable	21,387	92,775	114,162
Restricted	11,955	1,129,563	1,141,518
Assigned	-	1,390,384	1,390,384
Unassigned	522,958	(279,960)	242,998
Total fund balances	556,300	2,332,762	2,889,062
Total liabilities and fund balances	\$ 2,415,627	\$ 7,606,674	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,849,253	5,499,182
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Certain long-term liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:

Line of credit payable	(148,781)
Capital purchase note payable	(47,615)

Net assets of governmental activities	\$ 8,191,848
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East Tennessee Human Resource Agency, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Human Resource Services</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Grantor contributions	\$	\$ 36,103,997	\$ 36,103,997
Program income		3,501,169	3,501,169
USDA		407,503	407,503
Assessments to local governments	231,300	14,000	245,300
Career Centers / reimbursements		73,619	73,619
Interest income		25,004	25,004
Other income	1,566	273,125	274,691
Total revenues	<u>232,866</u>	<u>40,398,417</u>	<u>40,631,283</u>
<u>EXPENDITURES</u>			
Current:			
General	25,895		25,895
Aging		8,382,779	8,382,779
Transportation		7,218,353	7,218,353
Housing and restoration		9,143,908	9,143,908
Workforce development		6,691,986	6,691,986
Corrections and probation		1,738,874	1,738,874
Title V		1,894,414	1,894,414
Child development		1,350,081	1,350,081
Mountain Valley		536,146	536,146
AIDS support		943,506	943,506
Family assistance		504,279	504,279
Loan program		135,026	135,026
SSI representative payee administration		(5,227)	(5,227)
Other			-
Capital outlays	-	1,821,533	1,821,533
Debt service:			-
Principal retirement	-	150,000	150,000
Interest expense	-	9,549	9,549
Total expenditures	<u>25,895</u>	<u>40,515,207</u>	<u>40,541,102</u>
Excess of revenues over expenditures	<u>206,971</u>	<u>(116,790)</u>	<u>90,181</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Execution of capital leases	36,463		36,463
Transfer of domestic violence to misdemeanor		(18,024)	(18,024)
Transfer to close out SSI repr. payee admin	(123,834)	123,834	-
Transfers in - match	-	140,006	140,006
Transfers out - match	(140,006)		(140,006)
Total other financing sources (uses)	<u>(227,377)</u>	<u>245,816</u>	<u>18,439</u>
Net change in fund balance	(20,406)	129,026	108,620
Fund balances - beginning	576,706	2,203,736	2,780,442
Fund balances - ending	<u>\$ 556,300</u>	<u>\$ 2,332,762</u>	<u>\$ 2,889,062</u>

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 108,620

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital assets purchases capitalized	1,863,696
Capital assets disposal	(77,485)
Depreciation expense	<u>(1,303,838)</u>
	<u>482,373</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital lease obligation principal payments	31,733
Loan payments	150,000
Loan proceeds	(36,463)
	<u>145,270</u>

Change in net assets of governmental activities \$ 736,263

East Tennessee Human Resource Agency, Inc.
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Misdemeanor	Call Center	HUD HCV	TOTAL
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 200,708	\$ 1,205,746	\$ 556,252	\$ 1,962,706
Accounts receivable				-
Prepaid expenditures			608	608
Total current assets	200,708	1,205,746	556,860	1,963,314
Noncurrent Assets:				
Capital assets				
Furniture and equipment, net		188,433		188,433
Vehicles, net	12,561		36,689	49,250
Total noncurrent assets	12,561	188,433	36,689	237,683
Total assets	\$ 213,269	\$ 1,394,179	\$ 593,549	\$ 2,200,997
 <u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable	\$ 20,693	\$ 16,996	\$ 12,736	\$ 50,425
Accrued expenses	125,436	140,234	25,940	291,610
Total current liabilities	146,129	157,230	38,676	342,035
Total liabilities	146,129	157,230	38,676	342,035
 <u>NET ASSETS</u>				
Unrestricted	217,228	721,396	510,802	1,449,426
Net revenue	(150,088)	515,553	44,071	409,536
Total net assets	\$ 67,140	\$ 1,236,949	\$ 554,873	\$ 1,858,962

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Statement of Revenues, Expenditures, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Misdemeanor	Call Center	HUD HCV	TOTAL
<u>OPERATING REVENUES</u>				
Program income	\$ 1,442,340	\$ 1,633,618	\$ 3,740,202	\$ 6,816,160
Other revenue	7,590		5,730	13,320
Total operating revenues	<u>1,449,930</u>	<u>1,633,618</u>	<u>3,745,932</u>	<u>6,829,480</u>
<u>OPERATING EXPENSES</u>				
Salaries	819,826	538,394	222,064	1,580,284
Fringe benefits	207,322	141,810	57,316	406,448
Grant and program costs	23,614	3,753	3,262,025	3,289,392
Occupancy	111,686	35,050	23,485	170,221
Consultants and contracted services	13,847	124,986	3,507	142,340
Telephone	45,884	69,939	8,073	123,896
Training and conferences	62,979	649	5,137	68,765
Travel	37,807	667	19,068	57,542
Supplies	18,205	27,986	8,307	54,498
Insurance and bonding	22,022	6,456	4,943	33,421
Maintenance and repairs	13,270	7,823	11,128	32,221
Lease payments	12,387	13,630	5,201	31,218
Depreciation	4,633	14,977	7,613	27,223
Postage and freight	6,949	355	7,592	14,896
Printing	8,773	2,953	3,112	14,838
Other expenses			175	175
Indirect cost allocation	195,362	128,637	53,115	377,114
Total operating expenses	<u>1,604,566</u>	<u>1,118,065</u>	<u>3,701,861</u>	<u>6,424,492</u>
Operating income	(154,636)	515,553	44,071	404,988
Gain on sale of vehicle	4,548			4,548
Total net income	<u>(150,088)</u>	<u>515,553</u>	<u>44,071</u>	<u>409,536</u>
Total net assets - beginning	199,204	721,396	510,802	1,431,402
Transfers - domestic violence to misdemeanor	18,024			18,024
Total net assets - ending	<u>\$ 67,140</u>	<u>\$ 1,236,949</u>	<u>\$ 554,873</u>	<u>\$ 1,858,962</u>

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Misdemeanor	Call Center	HUD HCV	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Supervision fee receipts	\$ 1,380,990	\$	\$	\$ 1,380,990
Fee receipts	61,350	1,633,618	3,740,202	5,435,170
Receipts of contributions	4,005			4,005
Receipts of insurance reimbursements	2,824		5,730	8,554
Receipts of interest	761			761
Payments to employees	(812,845)	(530,045)	(218,497)	(1,561,387)
Payments for fringe benefits	(207,322)	(141,810)	(57,316)	(406,448)
Payments to vendors	(371,192)	(284,286)	(3,365,872)	(4,021,350)
Payments for indirect costs	(195,362)	(128,637)	(53,115)	(377,114)
Net Cash Provided by Operating Activities	<u>(136,791)</u>	<u>548,840</u>	<u>51,132</u>	<u>463,181</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	18,024			18,024
Net Cash Provided by Noncapital Financing Activities	<u>18,024</u>	<u>-</u>	<u>-</u>	<u>18,024</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(10,000)	(194,192)	(36,550)	(240,742)
Proceeds from sale of capital assets	9,071			9,071
Payment on capital lease				-
Net Cash Used in Capital and Related Financing Activities	<u>(929)</u>	<u>(194,192)</u>	<u>(36,550.00)</u>	<u>(231,671)</u>
Net Increase in Cash and Cash Equivalents	(119,696)	354,648	14,582	249,534
Balance - beginning of the year	<u>320,404</u>	<u>851,098</u>	<u>541,670</u>	<u>1,713,172</u>
Balances - end of the year	<u>\$ 200,708</u>	<u>\$ 1,205,746</u>	<u>\$ 556,252</u>	<u>\$ 1,962,706</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (154,636)	\$ 515,553	\$ 44,071	\$ 404,988
Adjustments:				\$
Depreciation expense	4,633	14,977	7,613	27,223
Change in assets and liabilities:				
(Increase) decrease in prepaid expenses	607	-	(608)	
Increase (decrease) in accounts payable	5,624	9,961	(3,511)	12,074
Increase (decrease) in accrued expenses	6,981	8,349	3,567	18,897
Increase (decrease) in deferred revenue				-
Net Cash Provided by Operating Activities	<u>\$ (136,791)</u>	<u>\$ 548,840</u>	<u>\$ 51,132</u>	<u>\$ 463,182</u>
Noncash investing, capital, and financing activities:				
Acquisition of capital assets through capital lease	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ -</u>

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Statement of Net Assets
Fiduciary Funds
June 30, 2011

	<u>Public Guardian</u>	<u>SSI Payee</u>	<u>HUD Escrow</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 300,277	\$ -	\$ 26,219
Other receivables			1,331
Investments, at fair value:			
Investment accounts	1,489,204		
Land and buildings	5,290,800		
Total assets	7,080,281	-	27,550
 <u>LIABILITIES</u>			
Accounts payable	\$ 24,267	\$ -	\$ -
Accrued expenses	218		
Total liabilities	24,485	-	-
 <u>NET ASSETS</u>			
Held in trust	\$ 7,055,796	-	\$ 27,550

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	<u>Public Guardian</u>	<u>SSI Payee</u>	<u>HUD Escrow</u>
<u>ADDITIONS</u>			
Contributions	\$ 838,185	\$	14,414
Trust account income	469,786	738	
Other revenue	11,816		
Interest	1,368		62
Total additions	1,321,155	738	14,476
<u>DEDUCTIONS</u>			
Distributions	751,408	48,244	2,747
Living expenses	825,758		
Total deductions	1,577,166	48,244	2,747
Net assets - beginning of year	7,311,807	47,506	15,821
Net assets - end of year	\$ 7,055,796	-	\$ 27,550

See accompanying notes to the financial statements

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

East Tennessee Human Resource Agency, Inc., ("the agency") was established in 1974 in accordance with Title 13, Chapter 26, as amended, of Tennessee Code Annotated. This legislation establishes a nine region statewide system to deliver human resource services and programs to Tennessee citizens for Tennessee's local governments. The agency is governed by a ninety-eight member Governing Board and a thirty-four member Policy Council.

The Governing Board consists of:

- County and City Mayors within the established region served by the agency,
- one State Senator and one State Representative whose districts lie wholly or in part within the established region served by the agency,
- and one additional member from each county of the region, appointed by the County Mayor.

The Policy Council consists of:

- two Governing Board members from each county within the established region
- and two legislators.

The agency also operates the Mountain Valley Economic Opportunity Authority ("MVEOA") under a management agreement with the MVEOA Board of Directors. For financial reporting purposes, the agency includes all human resource services and programs over which the Board of Directors is financially accountable, including the MVEOA.

Basis of Presentation

The accompanying statements of the agency have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). Beginning with fiscal year ended June 30, 2003, the agency has changed its presentation to conform to the reporting requirements required by GASB Statement 34.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by grants and contracts, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Accounting Structure and Basis

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reports 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Accounting transactions are tracked according to program activities.

The following describes how agency accounting activities are maintained and presented:

General Fund - Agency administrative and unrestricted resources are reported in the General Fund.

Human Resource Services Fund - The governmental program activities are reported in the Human Resource Services Fund. These are transactions relating to resources obtained and used for the delivery of programs (including all cost-reimbursement and performance based grant agreements).

Proprietary Fund - The agency operates three business-like activities: Misdemeanor Program, Call Center, and Housing and Urban Development ("HUD") Housing Choice Voucher ("HCV") Program.

Fiduciary Fund - Agency programs requiring fiduciary responsibility are accounted for in the Fiduciary Fund.

One of these fiduciary responsibilities is to account for participant assets held by the agency under the Public Guardianship program. The Public Guardianship program was created by Title 34, Chapter 7, of Tennessee Code Annotated, "to aid disabled persons over sixty (60) years of age who have no family member or friend who is willing and able to serve as conservator or guardian." The agency manages wards' assets in accordance with court orders and trust agreements.

Assets such as real estate are stated at fair value at the time of transfer to the agency.

The transfer of the assets to the agency is shown as contribution from beneficiaries. Income derived from the wards' assets is shown in appropriate revenue accounts.

Assets returned to the wards, their estates or other third parties representing the wards are shown as distributions to beneficiaries. Any expenditures made on behalf of the wards are reflected in other appropriate expenditure accounts.

Another of these fiduciary responsibilities was to provide payee supportive services through the SSI Representative Payee program ("SSI Payee"). The phase-out of this program was completed in fiscal year 2011.

The Fiduciary Fund is also used for the agency deposits for payments in lieu of HUD Section 8 rental and utility assistance into an escrow account for participants enrolled in the Family Self-Sufficiency program. The participant receives the funds upon successful completion of the program. Forfeited deposits are used to fund other participants in the program.

Agency Fund -These are activities where amounts are held in trust or on behalf of others. These activities include:

- 1) The agency collects donations from employees for funeral flowers or donations and for other purposes determined by employees.
- 2) The agency holds unclaimed checks until the amounts can be sent to the State of Tennessee as unclaimed property.

As a general rule the effect of interfund activity has been eliminated from both the governmental fund and government-wide financial statements. ETHRA is designated as an Area Agency on Aging and Disability and as such contracts several programs within ETHRA. The related revenues and expenses from these transactions have been eliminated to avoid duplicate reporting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Misdemeanor Program, Call Center, and HUD HCV Program are charges for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The agency's financial statements are prepared in accordance with generally accepted accounting principles. The agency's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The agency's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The agency charges each of the programs an indirect rate of nineteen percent of salaries and fringe cost. In some cases, the rate is limited by the specific program grant.

Budgetary Process

The agency does not have an annual appropriated budget. The grant documents, service contracts, and program projections serve as the financial plans for budgetary purposes.

NOTE 2: RECEIVABLES, DEPOSITS AND INVESTMENTS

Allowance for Uncollectible Accounts

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. No allowance is necessary for grantor receivables at June 30, 2011. The allowance for uncollectible accounts for other receivables was \$278,851 at June 30, 2011.

Deposits

The agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the Agency 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. State statutes limit maturities of the above instruments 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. The agency has not adopted a formal investment policy that limits its interest rate or credit risk.

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

The investments in the General Fund represent funds held by the East Tennessee Foundation in the agency's name.

The investments in the Fiduciary Fund consist of savings bonds and other investments held in the individual ward's names.

NOTE 3: INTERFUND RECEIVABLE/PAYABLE ACCOUNTS

The amount owed to the Agency Fund by the General Fund represents unclaimed checks. These are outstanding checks older than ninety days that are subject to escheatable property procedures.

Interfund activity for operations is accounted for through equity in cash balances.

NOTE 4: PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 5: CAPITAL ASSETS

Governmental activities' capital asset changes for the year ended June 30, 2011 were as follows:

	Balance 07/01/10	Additions	Deletions	Balance 06/30/11
Capital assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Furniture and equipment	1,831,401	314,705	(10,793)	2,135,311
Vehicles	6,140,381	1,789,732	(1,909,034)	6,021,079
Leasehold Improvements	243,382	-	-	243,382
Buildings	1,230,729	-	-	1,230,729
Total other capital assets at cost	<u>9,445,893</u>	<u>2,104,437</u>	<u>(1,919,827)</u>	<u>9,630,501</u>
Less accumulated depreciation for:				
Furniture and equipment	(696,255)	(294,698)	10,793	(980,160)
Vehicles	(3,360,936)	(987,129)	1,827,027	(2,521,038)
Leasehold Improvements	(179,595)	(9,450)		(189,045)
Buildings	(196,224)	(39,783)		(236,007)
Total accumulated depreciation	<u>(4,433,010)</u>	<u>(1,331,060)</u>	<u>1,837,820</u>	<u>(3,926,250)</u>
Other capital assets, net	<u>5,012,883</u>	<u>773,377</u>	<u>(82,007)</u>	<u>5,704,251</u>
Total capital assets	<u>\$5,045,497</u>	<u>\$773,377</u>	<u>\$(82,007)</u>	<u>\$5,736,865</u>

Depreciation expense for the year ended June 30, 2011 was charged to programs/functions as follows:

Governmental activities:	
Administration	\$ 36,296
Aging	13,075
Transportation	1,164,867
Workforce development	30,070
Housing and restoration	20,233
AIDS support	0
Corrections and probation	26,134
Child development	7,443
Family assistance	1,700
Mountain Valley	4,020
Total depreciation governmental activities	<u>1,303,838</u>
Business-type activities:	
Misdemeanor	4,633
Call center	14,977
HUD housing choice voucher	7,613
Total depreciation business-type activities	<u>27,223</u>
Total Depreciation	<u>\$1,331,061</u>

Capital Assets are presented in the Statement of Net Assets (government-wide financial statements). The presentation includes all assets with a historical cost in excess of five thousand dollars that are currently in use by the agency or program. In the conversion year (fiscal year ended 6/30/03), a minimum of one year of remaining service was used to calculate the valuation of the asset for depreciation purposes.

Capital assets purchased from grants are recorded at acquisition cost and are shown as capital expenditures in the governmental financial statements but are properly reclassified to the Statement of Net Assets as capital assets in the government-wide financial statements. Capital assets acquired from unrestricted resources are depreciated on a straight-line basis over estimated useful lives as prescribed by government depreciation tables. Donated capital assets are recorded at estimated fair market value at the date of donation.

Assets	Years
Buildings	39
Land improvements	15
Furniture and equipment	7
Computer and telephone equipment	5
Vehicles	5

NOTE 6: CAPITAL LEASE AGREEMENTS

The following is an analysis of the property under capital lease:

	Asset Balance at June 30, 2011
ShoreTel phone system	<u>\$102,453</u>

The following is a schedule by years of future minimum lease payments under capital lease and the present value of the net minimum lease payments as of June 30, 2011:

Year ending	June 30, 2012	\$23,950
	2013	<u>15,360</u>
	Total minimum lease payments	39,311
	Less: Amount representing interest	<u>(4,080)</u>
	Present value of minimum lease payments	<u>\$35,231</u>

NOTE 7: OPERATING LEASE AGREEMENTS

The agency leases offices and storage space to administer agency programs. All leases are cancelable at the agency's option. The agency incurred occupancy lease payments of \$876,646 in fiscal year 2011. The contingent lease payments for these leases in fiscal year 2012 amount to \$896,922.

The agency also leases various equipment, including copiers and printers, with operating leases. The agency incurred equipment related lease payments of \$148,621 in fiscal year 2011. The contingent lease payments for fiscal year 2012 amount to \$148,650.

NOTE 8: LOANS

The agency has a Commercial Note, which is a renewal and/or amendment of the note extended as of June 30, 2005, established with SunTrust Bank in the amount of \$298,781 from March 19, 2011 until February 28, 2012. Interest accrued on outstanding balances is the Prime Rate per annum, payable monthly. The note matures on February 28, 2012. In June 2011, a principal payment of \$150,000 was made to reduce the outstanding balance to \$148,781. This note is used for short-term financing of operations due to delays in requested funding.

The agency purchased a vehicle that was financed with a Commercial Loan Agreement in the amount of \$26,533 dated November 14, 2007. The lender is Y-12 Federal Credit Union. Interest will accrue on the unpaid principal balance at the rate of 5.74%. The note is payable in 60 monthly payment of \$509.78, with a maturity date of November 14, 2012.

The annual note payments are as follows:

Year ending	Principal	Interest
June 30, 2012	5,791	326
June 30, 2013	<u>2,513</u>	<u>36</u>
Total	<u>\$ 8,304</u>	<u>\$ 362</u>

NOTE 9: DEFERRED COMPENSATION PLAN

The agency offers its employees a tax deferred annuity plan. The plan is available to any full-time or part-time employee who has worked for 1,000 hours or more.

The tax-deferred annuity plan was established in accordance with Section 403(b) of the Internal Revenue Service Code. The plan allows employees to shelter a portion of their salaries. All costs for administering this program are the responsibility of the plan participants. Since the 403(b) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements.

The minimum amount that must be contributed to participate in the plan is 2.5 percent of the employee's gross compensation or \$6.25; whichever is greater, in each regular biweekly pay period. Employees may have as much of their gross compensation deducted as they choose, up to the maximum allowed by the Internal Revenue Service. A matching payment is made by the agency each payroll period. The agency will match at either 2.5 percent or 5 percent of an employee's gross compensation, depending upon the employee's deduction percentage. Employees can request a loan against their plan balances. Otherwise, the funds are not available to employees until termination, death, or unforeseeable emergency.

NOTE 10: FUND BALANCE

Fund balance is reported in governmental funds under the following categories using definitions provided by GASB Statement 54. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The fund balance amounts must be reported within one of the fund balance categories list below.

Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The amounts reflected below as nonspendable include the amounts for advances paid to subcontractors and deposits.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external parties, constitutional provisions, or enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the highest level of decision making authority. The commitment can be removed or changed only by taking the same action. This would result from a formal action of the ETHRA Policy Council.

There are no committed fund balance amounts for FY11.

Assigned fund balance – includes amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. It includes any residual amounts in governmental funds other than the general fund. The authority is delegated from the Policy Council to their designee to assign amounts.

The balances shown reflect the amounts from service contracts, or similar, greater than the amounts required by the grant contracts for match.

Unassigned fund balance – includes the residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

	General	Human Resource Services	Total Governmental Funds
<u>Nonspendable:</u>			
Advances and deposits	21,387	92,775	114,162
<u>Restricted for:</u>			
Mountain Valley		112,861	112,861
Loan		1,016,702	1,016,702
Character Counts	6,955		6,955
East Tennessee Foundation Investment	5,000		5,000
<u>Assigned to:</u>			
Aging		176,228	176,228
Transportation		828,825	828,825
Workforce development		350,925	350,925
Housing and restoration		34,406	34,406
<u>Unassigned</u>	522,958	(279,960)	242,998
Total fund balances	556,300	2,332,762	2,889,062

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is ETHRA's policy to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is our policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 11: CONTINGENCIES

Sick Leave

The agency records the cost of sick leave when paid. Since sick leave (earned one day per month with a maximum of 60 days) is generally paid only when an employee is absent because of illness, injury, or related family death, there is no recorded liability for sick leave. The amount of unused sick leave was \$839,063 at June 30, 2011.

Litigation

The agency is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

NOTE 12: RISK MANAGEMENT

The agency participates in the Tennessee Municipal League (TML) Risk Management Pool for the following risks of loss: commercial general liability; bodily injury, property damage, physical damage, and personal injury liability for vehicle operation; and worker's compensation and employer's liability. The agency's agreement with the TML Risk Management Pool provides for payment of premiums. The agreement also provided 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.

The agency carries commercial insurance for the following risks of loss; employee dishonesty; theft of, damage to, or destruction of real and personal property; personal injury or property damage; liability for volunteers; and court-referred alternative sentencing volunteer insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The agency provides basic health, disability, and life insurance coverage for its employees through commercial insurance policies. The agency's obligation under the basic health insurance policy is limited to \$366 and \$823 per month per employee for single and family coverage, respectively. The agency's obligation under the disability and life insurance policies are based on the employee's rate of pay.

NOTE 13: GRANTS

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

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East Tennessee Human Resource Agency, Inc.
 Schedule of Expenditures by Program
 Governmental Funds
 For the Year Ended June 30, 2011

	General	Aging	Transportation	Workforce Development	Housing and Restoration	Title V	AIDS Support	Corrections and Probation	Child Development	Family Assistance	Mountain Valley	SSI Represent. Payee Admin	Loan Program	TOTAL
EXPENDITURES														
Current:														
Solates	1,039,861	1,553,818	3,454,608	1,222,456	330,620	115,971	96,423	1,005,135	103,480	245,742	234,411	(5,227)		9,375,278
Fringe benefits	139,634	382,029	787,685	303,948	86,652	30,379	23,378	263,133	25,096	63,450	60,376			2,165,710
Grant and program costs (see schedule)	17,655	5,491,119	1,208,071	3,244,782	8,544,213	4,363	732,560	53,700	1,149,298	43,658	107,714		133,932	20,731,065
Occupancy	109,782	127,092	113,486	534,746	25,987	5,886	7,842	102,334	5,723	13,451	16,716			1,062,945
Bad debts			112,527											
Travel	65,892	140,404	19,390	97,879	13,689	13,523	21,174	35,373	18,485	50,790	23,504			112,527
Consultants and contracted services	233,418	61,933	84,521	55,323	8,758	1,695	922	1,912	1,392	783	487			500,103
Maintenance and repairs	166,397	51,126	167,210	34,219	4,781	1,312	1,754	8,443	1,206	1,056	8,462	872		452,016
Supplies	279,330	71,350	154,011	183,495	11,024	593	5,051	36,753	6,179	6,149	6,893			445,966
Telephone	29,898	42,691	74,078	102,105	9,556	2,600	4,514	46,954	3,388	9,303	10,802			761,892
Insurance and bonding	66,659	22,817	225,592	20,439	6,776	1,105	1,120	33,331	2,749	4,239	4,297			335,889
Participant wages and fringe benefits	39,472	26,735	15,529	417,154	4,196	1,681,765	960	18,044	991	1,593	3,274			389,124
Training and conferences	15,856	20,053	15,495	117,431	9,428	449	2,249	8,258	2,389	1,889	2,046			2,098,919
Lease payments	15,261	13,186	298	38,541	783	2,595	21,020	715	1,245	2,793	2,466			228,624
Other expenses	10,960	5,484	2,960	22,637	4,323	574	474	2,382	1,192	384	890			118,799
Printing	4,220	5,809	2,328	11,381	14,161	3,709	1,457	2,445	2,749	126	759			56,653
Postage and freight		367,133	800,564	284,948	69,061	27,553	22,608	121,762	24,519	58,873	54,765			52,480
Indirect cost allocation	(2,208,900)													49,144
Total expenditures	25,895	8,382,779	7,218,353	6,691,986	9,143,908	1,894,414	943,506	1,738,874	1,350,081	504,279	536,146	(5,227)	135,026	36,560,020
Capital outlays			1,774,310	28,868				18,355						1,821,533
Debt service:														
Principal retirement			150,000											150,000
Interest expense			9,549											9,549
Total expenditures	25,895	8,382,779	9,152,212	6,720,854	9,143,908	1,894,414	943,506	1,757,229	1,350,081	504,279	536,146	(5,227)	135,026	40,541,102
OTHER FINANCING SOURCES (USES)														
Execution of capital leases	36,463													36,463
Transfer of domestic violence to midmanagement	(123,834)							(18,024)				123,834		(18,024)
Transfers to close our SSI repr. payee admin		46,513								93,493				140,006
Transfers in - match	(140,006)													(140,006)
Transfers out - match	(227,377)							(18,024)		93,493				18,439
Total other financing sources (uses)	253,272	8,336,266	9,152,212	6,720,854	9,143,908	1,894,414	943,506	1,739,205	1,350,081	597,772	536,146	118,607	135,026	40,559,541
Net change in fund balance														

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Schedule of Grant and Program Expense
For the Year Ended June 30, 2011

	General	Human Resource Services	Total Governmental Funds
Participant expenses	\$	\$ 12,910,029	\$ 12,910,029
Subcontractors		6,460,690	6,460,690
Vehicle operations	7,713	1,283,339	1,291,052
Dues and registrations	8,514	20,980	29,494
Medical-drug screens	1,125	24,890	26,015
Advertising	303	8,570	8,873
Meetings		4,589	4,589
Other		323	323
Total Grant and Program Expenses	\$ 17,655	\$ 20,713,410	\$ 20,731,065

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
 Schedule of Changes in Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2011

	Public Guardian	SSI Payee
<u>ADDITIONS</u>		
Client assets transferred	\$ 838,185	\$
Retirement/disability income	315,401	738
Gain on sale of property	151,775	
Other income	11,816	
Tax refunds/stimulus payments	2,610	
Interest income	1,368	
Insurance refunds	-	
Total additions	1,321,155	738
<u>DEDUCTIONS</u>		
Nursing home/residential care	535,084	
Legal	124,281	
Living expenses	55,132	
Burial expenses	38,621	
Medical and dental	22,039	
Fees transfer	19,434	
Taxes	13,825	
Insurance	6,143	
Loan payments	1,059	
Other expenses	10,140	
Distributions to beneficiaries	751,408	48,244
Total deductions	1,577,166	48,244
Net decrease in net assets	(256,011)	(47,506)
Net assets - beginning of year	7,311,807	47,506
Net assets - end of year	\$ 7,055,796	\$ -

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Schedule of Agency Funds
June 30, 2011

		<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$	16,221
Due from other funds		29,190
Total assets	\$	<u><u>45,411</u></u>

<u>LIABILITIES</u>		
Accrued expenses	\$	29,190
Employee volunteer		16,221
Total liabilities	\$	<u><u>45,411</u></u>

See accompanying notes to the financial statements

East Tennessee Human Resource Agency, Inc.
Statement of Changes in Agency Funds
For the Year Ended June 30, 2011

		<u>Agency Funds</u>
<u>ADDITIONS</u>		
Contributions from employees	\$	1,922
Old outstanding checks		52,459
Total additions	\$	<u><u>54,381</u></u>

DEDUCTIONS

Payments for memorials	\$	1,292
Payments to State for escheatable funds		41,751
Old outstanding checks - voided		43,945
Total deductions	\$	<u><u>86,988</u></u>

See accompanying notes to the financial statements

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East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2011

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2010	Cash Receipts	Transfers In	Expenditures	Transfers Out	Payments made to State	Balance June 30, 2011
93.044	GG-11-32691-00	Aging Services - III-B	TN Commission on Aging	\$ 38,381	\$ 1,335,830		(1,168,594)			225,636
93.044	GG-10-29079-00	Aging Services - III-B	TN Commission on Aging	(297,200)	297,200					
93.044	GG-11-32691-00	Aging Services - III-B	TN Commission on Aging		(340,650)					(340,650)
93.045	GG-11-32691-00	Aging Planning - III-C admin	TN Commission on Aging	188,303	118,297		(76,110)			230,490
93.045	GG-09-28975-00	Aging Planning - III-C admin	TN Commission on Aging	(179,200)	179,200					
93.045	GG-11-32691-00	Aging Planning - III-C I Con	TN Commission on Aging	95,230	898,212		(832,843)			(60,700)
93.045	GG-10-29079-00	Aging Planning - III-C I Con	TN Commission on Aging	(201,700)	201,700					60,999
93.707	GG-09-28541-00	Aging Planning - III-C I Con ARRA	TN Commission on Aging	(21,299)	(298,009)					(298,009)
93.707	GG-09-28541-00	Aging Planning - III-C I Con ARRA	TN Commission on Aging	(20,000)	114,270		(94,390)			(1,420)
93.045	GG-11-32691-00	Aging Services - III-C 2HD Nutrition Services	TN Commission on Aging	(77,828)	20,000					
93.045	GG-10-29079-00	Aging Services - III-C 2HD Nutrition Services	TN Commission on Aging	(72,700)	1,436,379		(1,275,419)			83,123
93.045	GG-11-32691-00	Aging Services - III-C 2HD ARRA Nutrition Services	TN Commission on Aging	(44,883)	(123,779)					
93.705	GG-09-28541-00	Aging Services - III-D In-home Services PH	TN Commission on Aging	6,000	98,810	28,678	(43,545)			(123,779)
93.043	GG-11-32691-00	Aging Services - III-D In-home Services PH	TN Commission on Aging	24,102	6,000					(940)
93.043	GG-10-29079-00	Aging Services - III-D In-home Services PH	TN Commission on Aging	(15,500)	57,400		(65,404)			16,097
93.043	GG-11-32691-00	Aging Services - III-D In-home Services PH	TN Commission on Aging	5,280	15,500					
93.043	GG-10-29079-00	Aging Services - III-D In-home Services	TN Commission on Aging	(24,100)	21,358		(25,000)			(23,760)
93.043	GG-11-32691-00	Aging Services - III-D In-home Services	TN Commission on Aging		24,100					1,638
93.052	GG-11-32691-00	Aging Services - III-E Caregiver	TN Commission on Aging		54,900		(54,900)			(6,058)
93.052	GG-10-29079-00	Aging Services - III-E Caregiver	TN Commission on Aging	29,220	470,392		(694,970)			4,652
93.052	GG-11-32691-00	Aging Services - III-E Caregiver	TN Commission on Aging	(130,600)	130,600					
93.041	GG-11-32691-00	Aging Services - III-A Title VII EA	TN Commission on Aging	11	(2,092)					(2,092)
93.041	GG-10-29079-00	Aging Services - III-A Title VII EA	TN Commission on Aging	8,700	14,132		(13,101)			1,042
93.042	GG-11-32691-00	Aging Services - III-A Title VII	TN Commission on Aging		(232)					(232)
93.042	GG-10-29079-00	Aging Services - III-A Title VII	TN Commission on Aging	4,200	63,696		(63,696)			
93.779	GG-10-29079-00	Aging Services - SHIP	TN Commission on Aging	(27,500)	(2,596)					(2,596)
93.779	GG-11-32691-00	Aging Services - SHIP	TN Commission on Aging		27,500		(17,865)			(17,865)
93.053	GG-11-32691-00	Aging Services - US/D/ANSP	TN Commission on Aging		94,195					3
93.053	GG-10-29079-00	Aging Services - US/D/ANSP	TN Commission on Aging	(44,900)	407,503		(94,192)			3
93.053	GG-11-32691-00	Aging Services - US/D/ANSP	TN Commission on Aging		44,900		(407,503)			
93.778	GG-10-28623-00	Aging Services - Medicaid Waiver	TennCare	126,954	770,288		(770,288)			(66,003)
93.778	GG-10-28623-00	Aging Services - Medicaid Waiver	TennCare	(86,934)	86,934					126,954
93.045	GG-10-29079-00	Aging Services - III-E Match	TN Commission on Aging	(13,200)	85,900		(85,900)			(63,790)
93.045	GG-11-32691-00	Aging Services - III-E Match	TN Commission on Aging	412	13,200					
93.045	GG-10-29079-00	Senior Centers	TN Commission on Aging	(29,600)	(6,800)					(6,800)
93.045	GG-11-32691-00	Senior Centers	TN Commission on Aging		231,700		(231,378)			734
93.045	GG-10-29079-00	State Nutrition	TN Commission on Aging		(22,800)					(22,800)
93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging	(5,100)	5,100		(175,340)			5
93.045	GG-10-29079-00	State Nutrition	TN Commission on Aging		(46,345)					(46,345)
93.045	GG-11-32691-00	State Homemaker	TN Commission on Aging		69,200		(69,200)			
93.045	GG-10-29079-00	State Homemaker	TN Commission on Aging		8,400					8,400
93.045	GG-11-32691-00	State Guardianship	TN Commission on Aging		(8,000)					(8,000)
93.045	GG-10-29079-00	State Guardianship	TN Commission on Aging		113,400		(113,400)			
93.045	GG-11-32691-00	State Guardianship - Options	TN Commission on Aging	134,561	5,400					140,260
93.045	GG-10-29079-00	State Guardianship - Options	TN Commission on Aging		1,751,800		(1,746,101)			5,400

East Tennessee Human Resources Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2011

ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE.

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2010	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2011
	GG-10-29079-00	State Agency - Options	TN Commission on Aging	(214,100)	214,100					(186,000)
	GG-11-32691-00	State Agency - Options	TN Commission on Aging	(5,674)	(186,000)					(5,674)
	GG-10-30524-00	Aging Services	TN Commission on Aging	23,900			(4,670)			19,260
	GG-11-32691-00	ADA - Alzheimer's	TN Commission on Aging	8,200			(4,900)			3,300
	GG-10-29079-00	ADRC	TN Commission on Aging	(1,000)	1,000					
	GG-10-29079-00	ADRC	TN Commission on Aging				(3,300)			(3,300)
	BCBST #10-068	VSHIP	BCBST	46,452			(46,452)			
	GG-10-30174	BCBST	BCBST	(11,613)						(11,613)
	GG-10-30174	ADA - Medicare Savings Program	TN Commission on Aging	12,744			(12,744)			
	GG-10-30174	ADA - Medicare Savings Program	TN Commission on Aging	50,000			(73,720)			(23,720)
	GG-11-34335	PPACA / MIPA	TN Commission on Aging	10,000			(66,699)			(56,699)
	GG-11-32883	Chronic Disease	TN Commission on Aging	20,178			(63,648)			(43,470)
		LaFollette Medical Foundation		21,800			(21,800)			
	GG-09-26851	Career Centers - Adult Ed	TN Department of Labor and Workforce Development	(22,483)	22,483					
	GG-10-31555	Career Centers - Adult Ed	TN Department of Labor and Workforce Development	(28,927)	91,314		(106,538)			(15,224)
	GG-09-26852	Career Centers - DOL	TN Department of Labor and Workforce Development		28,927					
	GG-10-30867	Career Centers - DOL	TN Department of Labor and Workforce Development		225,901		(260,135)			(34,234)
	GG-09-24797	Career Centers - VR	TN Department of Human Services	(4,469)	4,469					
	GG-09-24797	Career Centers - VR	TN Department of Human Services	17,102			(21,741)			(4,639)
		Career Centers - WIA Partners	TN Department of Labor and Workforce Development	(982)	982					
		Career Centers - WIA Partners	TN Department of Labor and Workforce Development	10,638			(13,568)			(2,929)
		Career Centers - Pass Thru	TN Department of Labor and Workforce Development	(20,736)	20,736					
		Career Centers - Pass Thru	TN Department of Labor and Workforce Development	34,839			(35,238)			(399)
		Career Centers - Jobs for TN Graduates	TN Department of Labor and Workforce Development	2,755			(2,800)			(43)
	09-76544009	Child Care Centers (CCFP)	TN Department of Human Services	(32,732)	76,523		(44,988)			(784)
	09-76544009	Child Care Food Program	TN Department of Human Services	(30,825)	189,195		(138,370)			
	09-76544009	Child Care Centers (CCFP)	TN Department of Human Services	11,788			(124,947)			(2,693)
	09-76544009	Child Care Food Program	TN Department of Human Services	345,365			(684,813)			(41,225)
		Child Protective Services Contracts	Child & Family Services/ETCSA	(2,334)		2,334				
		Child Protective Services Contracts	Child & Family Services/ETCSA	15,536			(14,561)			(999)
	GG-11-32016-00	Community Corrections	TN Board of Probation and Parole	(240,206)	240,206					
	GG-11-32016-00	Community Corrections	TN Board of Probation and Parole	1,221,194			(1,530,969)			(309,775)
	GG-11-32261-00	Community Early Intervention	TN Department of Children's Services	(12,261)	12,261					
	GG-10-25143-00	Community Early Intervention	TN Department of Children's Services		127,303		(144,938)			(18,378)
	Z 05-020695-00	Community Services Block Grant-Advance	Mountain Valley EOA	18,107						
	Z 10-00113	Community Services Block Grant	Mountain Valley EOA	(30,820)	379,742		(374,722)			18,107
	Z 09-217916	Community Services Block Grant - ARRA Advance	Mountain Valley EOA	30,125			(30,125)			(27,034)
	Z 09-217916	Community Services Block Grant - ARRA	Mountain Valley EOA	(664)	43,794		(43,130)			
	Z 10-00065	Community Services Block Grant - ARRA - TANF emp	Mountain Valley EOA	(5,123)	10,731		(6,608)			
	28-7616-00	EFSS - Anderson	Federal Emergency Management Agency	4,823			(4,823)			
	28-7638-00	EFSS - Campbell	Federal Emergency Management Agency	5,580			(5,580)			
	28-7640-00	EFSS - Clifton	Federal Emergency Management Agency	3,349			(3,349)			
	28-7754-00	EFSS - Morgan	Federal Emergency Management Agency	(5,077)						
	28-7800-00	EFSS - Union	Federal Emergency Management Agency	2,194			(2,194)			
		Home Delivered Meals (Medicaid Waiver)		(4,808)		1,641				
		Home Delivered Meals (Medicaid Waiver)		3,167			(3,460)			(11,200)
				3,557						

East Tennessee Human Resources Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2011

ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2010	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2011
91.667	Z 08-022675	Homemaker - Adult Protective Services - Advance	TN Department of Human Services	(308)	654		(307)			(20)
91.667	GG 10-28530-00	Homemaker - Adult Protective Services	TN Department of Human Services	23,544	16,755					23,544
91.667		Homemaker - Adult Protective Services	TN Department of Human Services	(16,755)	335,373		(374,170)			(38,797)
14.871	A 3838	Housing Assistance Payments Program	US Dept of Housing & Urban Development		3,705,624		(3,705,624)			
14.871	TN 1131V00F02	FSS Housing	US Dept of Housing & Urban Development		34,578		(34,578)			
91.568	Z 10-000207	Low-Income Energy Assistance Program	TN Department of Human Services	(282,166)	281,413	12,393		(11,640)		
91.568	Z 11-000207	Low-Income Energy Assistance Program	TN Department of Human Services		3,157,222		(3,486,626)		(6,512)	(335,916)
91.568	Z 02-007123-00	Home Modifications	TN Department of Human Services	(6,408)	10,926		(10,926)	(12,367)		(18,775)
14.241	GG 10-27855-00	HOPWA	TN Department of Health	(44,003)	253,232		(271,619)			(60,389)
91.917	GG-10-30709-00	Provision of HIV Contraceptive Services	TN Department of Health	(111,741)	471,504		(359,764)			
91.917	GG-11-3034-00	Provision of HIV Contraceptive Services	TN Department of Health				(130,375)			(130,375)
91.940	GG-10-30593-00	Provision of HIV Prevention Services (RAC)	TN Department of Health	(22,623)	112,314	1,413	(91,044)			
91.940	GG-11-34886-00	Provision of HIV Prevention Services (RAC)	TN Department of Health		29,217		(61,932)	(1,413)		(33,627)
91.917	GG 10-28071-00	Ryan White - Minority AIDS Initiative	TN Department of Health	(3,729)	21,754		(18,212)			(187)
20.500	Z 08-212267-00	Transportation Capital (approp. \$208K)	TN Department of Transportation							
20.500	GG-08-26124-00	Section 5309 Discretionary Capital	TN Department of Transportation		6,240		(6,240)			
20.521	Z 09-215667-00	Section 5317 New Freedom (Morristown)	TN Department of Transportation							
20.509	Z 09-219908-00	Transportation - ARRA - Capital	TN Department of Transportation		255,860		(255,860)			
20.500	GG-09-29304-00	Section 5309 Discretionary Capital (\$194K)	TN Department of Transportation							
20.500	GG-10-33314-00	Section 5309 Discretionary Capital (\$1,571K)	TN Department of Transportation		1,551,804		(1,551,804)			
20.509	GG-10-29584-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation	(166,062)	166,062					
20.509	GG-11-33528-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation							
20.516	Z 09-215688-00	Job Access - Capital - Morristown (\$126K)	TN Department of Transportation	(56,206)	103,268		(86,214)			(19,152)
20.516	Z 09-215689-00	Job Access - FY06 \$284K	TN Department of Transportation		20,593		(41,900)			(21,306)
20.516	Z 09-215700-00	Job Access - FY07 \$33K	TN Department of Transportation	(79,009)	283,965	3,659	(341,487)	(3,659)		(57,323)
		Lakeview Transit	Lakeview Transit							
		Lakeview Transit	Lakeview Transit							
		Oak Ridge Transit	City of Oak Ridge	(31,951)	31,951					
		Oak Ridge Transit	City of Oak Ridge		127,095		(157,199)			(30,104)
10.559	30018	Summer Food Service Program	TN Department of Human Services	(229,984)	507,137		(276,633)			0
10.559	30018	Summer Food Service Program	TN Department of Human Services		190,172		(358,791)	(360)		(228,619)
10.568	8750	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture	(3,827)	21,975		(18,108)			
10.568	8750	Temporary Emergency Food Assistance Program - ARRA	Tennessee Department of Agriculture		3		(3)			
10.568	83265	Temporary Emergency Food Assistance Program - ARRA	Tennessee Department of Agriculture		16,658		(16,658)			
17.235	GG-10-29173-00	Title V - SCSEP	TN Department of Labor and Workforce Development	(7,314)	7,314					
17.235	GG-11-32428-00	Title V - SCSEP	TN Department of Labor and Workforce Development		373,962		(414,916)			(40,954)
17.235	GG-11-33859-00	Title V - SCSEP	TN Department of Labor and Workforce Development		68,993		(68,993)			
17.235	312	SSAI Senior Employment	Senior Service America Inc	(214,506)	214,507			(1)		
17.235	312	SSAI Senior Employment	Senior Service America Inc		83,714		(83,714)			
17.235	312	SSAI Senior Employment	Senior Service America Inc		1,060,158	1	(1,326,795)			(266,636)
		Pathway Foundation	Jane L. Pathway Foundation							
81.042	Z 05-021678-00	Weatherization Assistance-Advance	TN Department of Human Services	26,942						
81.042	Z 09-000425-00	Weatherization Assistance - ARRA Advance	TN Department of Human Services	516,700			(516,700)			
81.042	Z 09-000425-00	Weatherization Assistance - ARRA	TN Department of Human Services	(360,010)	438,835		(78,825)			
91.714	Z 10-000058	Weatherization Assistance - ARRA TANF Employment	TN Department of Human Services	(7,032)	19,931					(12,900)
81.042	Z 09-000425-00	Weatherization Assistance - ARRA	TN Department of Human Services		4,071,031		(4,673,364)			(602,332)

East Tennessee Human Resource Agency, Inc.
Schedule of Grant Activity
For Year Ended June 30, 2011

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2010	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2011
81.042		Weatherization Assistance	TN Department of Human Services				(201,932)			(201,932)
17.259	09-04-PY06-304-YOUTH	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(5,052)	52,052					
17.258	LW04ST91ADJL7109	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(39,611)	223,112		(262,929)			(82,427)
17.259	LW04ST91YOUTH09	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(65,278)	346,539		(334,946)			(43,685)
17.260	LW04ST91DSLWK09	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(127,529)	782,334		(763,802)			(108,992)
17.258	LW39S91YUSWA09	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development		68,872		(79,389)			(10,517)
17.259	LW04F091YOUTH10	Workforce Investment Act	TN Department of Labor and Workforce Development	(208,070)	841,883		(633,813)			
17.260	LW39F093TSWA09	Workforce Investment Act	TN Department of Labor and Workforce Development	(37,127)	48,826		(10,698)		(1,200)	
17.258	LW04F101ADJL710	Workforce Investment Act	TN Department of Labor and Workforce Development	(102,472)	149,241		(46,768)			0
17.260	LW04F101DSLWK10	Workforce Investment Act	TN Department of Labor and Workforce Development	(346,747)	659,850		(312,522)		(190,581)	
17.260	LW39F101WRSRP10	Workforce Investment Act	TN Department of Labor and Workforce Development	(119,544)	119,544					
17.260	LW39F102MNSWA10	Workforce Investment Act	TN Department of Labor and Workforce Development	(5,980)	5,980					
92.553	GG-16-3095-0	Workforce Investment Act (Scott Cup)	TN Department of Human Services	(107,293)	384,681		(473,381)		(4,208)	(0)
17.259	LW04P101YOUTH11	Workforce Investment Act (work levy)	TN Department of Corrections		29,960		(29,965)			(6,093)
17.260	LW39F105APSWA10	Workforce Investment Act	TN Department of Labor and Workforce Development		317,089		(694,216)			(177,228)
17.278	LW04P101DSLWK11	Workforce Investment Act	TN Department of Labor and Workforce Development		37,072		(105,000)			(47,928)
17.258	LW04P101ADJL711	Workforce Investment Act	TN Department of Labor and Workforce Development		321,836	190,581	(512,637)			
17.267	LW39P039JNCNTV10	Workforce Investment Act	TN Department of Labor and Workforce Development		217,612		(217,612)			
17.260	LW39S91DWNREG09	Workforce Investment Act	TN Department of Labor and Workforce Development		20,000		(20,000)			
17.258	LW04F11ADJL711	Workforce Investment Act	TN Department of Labor and Workforce Development		37,232		(6,400)		(30,922)	
17.278	LW04F11DSLWK11	Workforce Investment Act	TN Department of Labor and Workforce Development		765,769		(877,568)			(111,799)
17.258	LW39F11WSWA11	Workforce Investment Act	TN Department of Labor and Workforce Development		552,983		(629,548)			(76,564)
			TN Department of Labor and Workforce Development		23,000				(1,955)	23,000
			TN Department of Labor and Workforce Development				(234,698)			(234,698)
			Totals	\$ (3,321,397)	\$ 39,271,870	244,439	(39,806,708)	(233,631)	(52,474)	(4,097,900)

*Major Federal Assistance Program

(1) Represents amounts due from grantees and contractors

(2) Represents advances from grantees

(3) Represents unearned grantor revenue

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 SCHEDULE OF NON-CASH ASSISTANCE (1)
 FOR THE YEAR ENDED JUNE 30, 2011

CFDA #	GRANT #	PROGRAM NAME	GRANTOR AGENCY	Balance 7/1/2010	Receipts	Transfers In	Other Additions	Commodities Distributed	Transfers Out	Other Deductions	Balance 6/30/2011
10.550	8750	Emergency Food Distribution Program	Tennessee Department of Agriculture	\$ 123,868	\$ 34,771	\$ 0	\$ 0	\$ 65,358	\$ 7,083	(2)	0 (3)
10.550	32501-02011	Emergency Food Distribution Program	Tennessee Department of Agriculture	0	200,378	0	0	198,847	7,408	(2)	105 (3)
				<u>\$ 123,868</u>	<u>\$ 235,149</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 264,205</u>	<u>\$ 14,491</u>	<u>\$ 105</u>	<u>\$ 80,216</u>

ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:

- (1) This schedule represents the fair value of noncash assistance based on per unit commodities values provided by the Tennessee Department of Agriculture.
- (2) This amount includes a change in the USDA values for commodities on hand as of 6/30/2011.
- (3) This amount represents lost and damaged commodities.

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

Federal/Pass-through Agency/Program Title		CFDA Number	
U. S. Department of Agriculture:			
Passed through Tennessee Department of Agriculture:			
Emergency Food Assistance Program (Administration)	ARRA	10.568	34,769
Passed through Tennessee Department of Human Services:			
Child and Adult Care Food Program		10.558	693,118
Summer Food Service Program for Children		10.559	635,645
			<u>1,363,532</u>
U.S. Department of Housing and Urban Development:			
Section 8 Rental Voucher Program		14.871	3,740,202
Passed through Tennessee Department of Health:			
Housing Opportunities for Persons with Aids		14.241	271,619
			<u>4,011,821</u>
U.S. Department of Labor:			
Passed through Tennessee Commission on Aging:			
Passed through Tennessee Department of Labor and Workforce Development			
Employment Service		17.207	295,443
Career Centers-Pass Thru		17.235	35,208
Senior Community Service Employment-State		17.235	483,909
Senior Community Service Employment-SSAI		17.235	1,410,509
Workforce Investment Act Adult Program		17.258	1,376,646
Workforce Investment Act Adult Program	ARRA	17.258	347,318
Workforce Investment Act Youth Activities		17.259	1,331,529
Workforce Investment Act Youth Activities	ARRA	17.259	334,946
Workforce Investment Act Dislocated Workers		17.260	244,421
Workforce Investment Act Dislocated Workers	ARRA	17.260	763,802
Workforce Investment Act Incumbent Worker		17.267	20,000
Workforce Investment Act Dislocated Worker Formula		17.278	1,141,985
			<u>7,785,716</u>
U.S. Department of Transportation:			
Passed through Tennessee Department of Transportation:			
Federal Transit_Capital Investment Grants		20.500	1,558,044
Formula Grants for Other Than Urbanized Areas		20.509	3,146,951
Formula Grants for Other Than Urbanized Areas	ARRA	20.509	255,860
Job Access_Reverse Commute		20.516	128,113
			<u>5,088,968</u>
U.S. Department of Energy:			
Weatherization Assistance for Low-income Persons			
Weatherization Assistance for Low-income Persons		81.042	201,952
Weatherization Assistance for Low-income Persons	ARRA	81.042	5,218,889
			<u>5,420,841</u>
U.S. Department of Education Office of Vocational and Adult Education			
Passed through Tennessee Department of Labor and Workforce Development			
Career Centers - Adult Education			106,538
	84.002		<u>106,538</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

Federal/Pass-through Agency/Program Title	CFDA Number	
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	15,945
		<u>15,945</u>
U.S. Department of Health and Human Services:		
Passed through Tennessee Commission on Aging:		
Special Programs for the Aging, Title VII, Chapter 3	93.041	13,101
Special Programs for the Aging, Title VII, Chapter 2	93.042	63,696
Special Programs for the Aging, Title III, Part D	93.043	90,404
Special Programs for the Aging, Title III, Part B	93.044	1,168,594
Special Programs for the Aging, Title III, Part C	93.045	2,370,272
Special Programs for the Aging, Title IV and Title III	93.048	8,200
Alzheimer's Disease Demonstration Grants	93.051	4,670
National Caregiver Support, Title III, Part E	93.052	549,870
Nutritional Services Incentive Program	93.053	407,503
Chronic Disease Management Program	93.725	63,648
Aging Home-Delivered Nutrition Services for States	ARRA 93.705	43,545
Aging Congregate Nutrition Services for States	ARRA 93.707	94,390
		<u>4,877,893</u>
Passed through Tennessee Department of Human Services:		
Temporary Assistance for Needy Families	ARRA 93.558	473,581
Low Income Heating and Energy Assistance Program	93.568	3,497,552
Community Services Block Grant	93.569	374,722
Social Services Block Grant	93.667	374,170
Community Services Block Grant	ARRA 93.710	73,255
Emergency Contingency Fund for Temporary Assistance for Needy Families	ARRA 93.714	18,508
		<u>4,811,788</u>
Passed through Tennessee Department of Health:		
HIV Care Formula Grants - Consortia Services	93.917	508,551
HIV Prevention Activities	93.940	153,036
		<u>661,587</u>
Centers for Medicare and Medicaid Services:		
Passed through Tennessee Commission on Aging:		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	112,054
AOA - Medicaid Savings Program	93.779	86,464
PPACA / MIPPA	93.779	66,699
		<u>265,217</u>
Passed through TennCare		
Medical Assistance Program	93.778	770,288
		<u>770,288</u>
State and Local Grants:		
Child Protective Services	N/A	14,561
Community Corrections	N/A	1,530,969
Community Intervention Services	N/A	144,958
Home Delivered Meals (Medicaid Waiver)	N/A	3,460
Homemaker (Medicaid Waiver)	N/A	307

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

Federal/Pass-through Agency/Program Title	CFDA Number	
Senior Centers	N/A	231,378
State Guardianship	N/A	113,400
State Homemaker	N/A	69,200
State Nutrition	N/A	175,340
State Aging - Options	N/A	1,746,101
Lakeway Transit	N/A	341,487
Oak Ridge Transit	N/A	157,199
LaFollette Medical Foundation	N/A	21,800
VSHIP	N/A	46,452
Workforce Investment Act (work keys)	N/A	29,965
		<u>4,626,575</u>
		<u><u>39,806,708</u></u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with Generally Accepted Accounting Principles

**East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Section 1 – Summary of Auditor Results

Financial Statements

Types of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified	no
Significant deficiencies identified not considered to be material weaknesses	none reported
Noncompliance material to financial statements noted:	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified not considered to be material weaknesses	None reported
Types of auditor's report issued on compliance for major programs	unqualified
Threshold for major federal program	\$1,055,403
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.241	Housing Assistance Payments
17.258	Workforce Investment Act Adult Program
14.871	Section 8 Rental Voucher Program
17.259	Workforce Investment Act Youth Activities
17.235	Title V SCSEP
20.500	Section 5309 Discretionary Capital
20.509	Section 5311 Rural Transportation
81.042	Weatherization Assistance
93.044	Special Programs for Aging Title III Part B
93.045	Special Programs for Aging Title III Part C
93.568	Low-Income Energy Assistance Program

East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Dollar threshold used to distinguish between Type A and Type B programs	\$1,055,403
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
P.O. BOX 1779
SUITE 300, MILLENNIUM SQUARE
MORRISTOWN, TENNESSEE 37816-1779
423-586-7650

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

Board of Directors
East Tennessee Human Resource Agency, Inc.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. (ETHRA) as of and for the year ended June 30, 2011, which collectively comprise ETHRA's basic financial statements and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ETHRA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ETHRA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ETHRA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Craine, Thompson & Jones P. C.

Morristown, Tennessee
December 1, 2011

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
P.O. BOX 1779
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
East Tennessee Human Resource Agency, Inc.

Compliance

We have audited East Tennessee Human Resource Agency, Inc.'s (ETHRA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ETHRA's major federal programs for the year ended June 30, 2011. ETHRA'S major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ETHRA's management. Our responsibility is to express an opinion on ETHRA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards; the standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ETHRA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on ETHRA's compliance with those requirements.

In our opinion, ETHRA complied, in all material respects, with the 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, 2011.

JAMES W. CRAINE, CPA
GLENN B. THOMPSON, CPA, CFP, PFS
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA
HIRAM H. JONES, CPA

Internal Control over Compliance

Management of ETHRA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ETHRA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ETHRA's internal control over compliance.

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

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

This report is intended for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Craige, Thompson & Jones P. C.

Morristown, Tennessee
December 1, 2011