



**East Tennessee Human Resource Agency, Inc.**

*Annual Financial Report*

*June 30, 2012*



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**East Tennessee Human Resource Agency, Inc.**  
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**East Tennessee Human Resource Agency, Inc.**  
**Gary Holiway, Executive Director**  
**Board of Directors and Policy Council**  
**As of June 30, 2012**

Anderson County

- \* County Mayor Myron Iwanski  
Mayor Scott Burton, Clinton  
Mayor Tim Sharp, Lake City  
Mayor Chris Mitchell, Norris  
Mayor Tom Beehan, 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, Rockford  
Mayor David Staley, Friendsville
- \*\* Mr. David Buchanan  
Mr. Bryan Daniels

Campbell County

- \* **County Mayor William Baird - Vice Chair**  
Mayor Robert Stooksbury, Caryville  
Mayor Mike Stanfield, LaFollette  
Mayor Jack Cannon, Jacksboro  
Mayor Les Stiers, Jellico
- \*\* Mr. Tom Stiner  
Mr. J Harold Willoughby

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  
Mr. J Harold Willoughby

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 McElhane, Blaine  
Mayor Danny Turley, Rutledge  
Mr. David Lietzke

Hamblen County

- \* County Mayor Bill Brittain  
Mayor Danny Thomas, Morristown

Jefferson County

- County Mayor Alan Palmieri  
Mayor Michael Keane, Baneberry  
Mayor George Gantte, 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 Madeline Rogero, Knoxville  
Mr. Dean Rice
- \*\* Ms. Barbara Monty

Loudon County

- \* **County Mayor Estelle Herron - Secretary**  
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
- \*\* Ms. Paulette Summey

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 - Treasurer**  
Mayor Chris Helper, Oliver Springs  
Mayor James Watts, Rockwood  
Leslie Henderson

Scott County

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

Sevier County

- \* **County Mayor Larry Waters - Chair**  
Mayor Mike Helton, Gatlinburg  
Mayor David Wear, Pigeon Forge  
Mayor Glenn Cardwell, Pittman Center  
Mayor Bryan Atchley, Sevierville  
Ms. Earlene Teaster
- \*\* Ms. Jane Foraker

Union County

- \* County Mayor Micheal Williams  
Mayor Johnny Merritt, Luttrell  
Mayor H. E. Richardson, Maynardville  
Mayor Gary Chandler, Plainview
- \*\* Mr. William VonSchipmann

General Assembly

- \* Senator Ken Yager
- \* Representative Kelly Keisling
  
- \* Policy Council and Governing Board
- \*\* Policy Council Only



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

This section of the East Tennessee Human Resource Agency, Inc. (ETHRA) financial report is a narrative discussion and analysis by management of the financial activities for the fiscal year ended June 30, 2012. ETHRA's financial performance is presented and analyzed within the context of the accompanying financial statements with appropriate disclosures, following this section.

ETHRA has implemented Governmental Accounting Standards Board Statement 34 (GASB 34). Fiscal year 2003 was the first year of presentation by ETHRA under the revised format required by GASB 34.

### **Overview of the Basic Financial Statements**

The basic financial statements are comprised of four sections:

1. Government-wide financial statements
  - i. Statement of Net Assets
  - ii. Statement of Activities
  
2. Governmental Fund financial statements
  - i. Balance Sheet
  - ii. Statement of Revenues, Expenditures, and Changes in Fund Balance
  - iii. Reconciliation of governmental fund financial statements to government-wide financial statements
  
3. Proprietary Fund financial statements
  - i. Statement of Net Assets
  - ii. Statement of Revenues, Expenditures, and Changes in Fund Balance
  - iii. Statement of Cash Flows
  
4. Fiduciary Fund financial statements
  - i. Statement of Net Assets
  - ii. Statement of Changes in Net Assets

A “government-wide” view of the financial position of ETHRA is presented. The Statement of Net Assets and the Statement of Activities are used to present this government-wide position.

For the government-wide financial statements, the primary change for ETHRA is the presentation of all capital assets with calculated depreciation. The financial records retain most capital assets as completely expended to grants when purchased. The historical costs of all capital assets are included on the Statement of Net Assets (net of calculated accumulated depreciation). The current year calculated depreciation is included in the Statement of Activities. Current year capital expenditures and capital lease payments are removed to prevent duplicate measurement. The effects of this change are reconciled on the government fund financial statements.

The governmental financial statements combine General Fund and Human Resource Services Fund operations. Governmental financial statements are presented on the traditional modified accrual basis with the addition of the reconciliation to the government-wide financial statements. The General Fund only includes ETHRA administration and unrestricted resource management.

The Human Resource Services Fund accounts for all activities from governmental programs that have a defined income and expense stream, regardless of source of funding. This includes most of the programs at ETHRA, since the agency is designed to deliver human resource services.

The Proprietary Fund financial statements present all business-like activities. These are activities that budget fees from participants and general public patrons as the sole source of funding. For ETHRA, the Misdemeanor Program, and Housing and Urban Development (“HUD”) Housing Choice Voucher (HCV) Program are reported as business-like activities for fiscal year 2012.

The Fiduciary Fund financial statements present all trust and agency activities. These are activities that are solely for the benefit of other designated parties. The Public Guardian Trust and HUD Family Self Sufficiency Escrow are fiduciary activities of ETHRA.

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

## **Financial Summary**

	<b>2012</b>	<b>2011</b>	<b>Increase/ (Decrease)</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,323,643	\$ 5,022,576	(\$698,933)
Capital assets (net of accumulated depreciation)	4,788,519	5,736,865	(948,346)
Receivables from grantors, contractors, and others	5,575,045	6,502,967	(927,922)
Prepaid expenses and deposits	569,331	460,072	109,259
<b>TOTAL ASSETS</b>	<b>\$15,256,538</b>	<b>\$17,722,480</b>	<b>(\$2,465,942)</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 5,587,941</b>	<b>\$ 7,671,670</b>	<b>(\$2,083,729)</b>
Investment in capital assets	\$4,741,582	\$5,486,356	(\$744,774)
Restricted net assets	1,203,010	1,141,517	61,493
Unrestricted net assets	3,724,005	3,422,937	301,068
<b>TOTAL NET ASSETS</b>	<b>\$9,668,597</b>	<b>\$10,050,810</b>	<b>(\$382,213)</b>
<b>REVENUES:</b>			
Operating grants and contributions	\$26,726,656	\$35,447,561	(\$8,720,905)
Capital grants and contributions	370,463	1,958,754	(1,588,291)
Charges for services	10,851,519	10,596,616	254,903
Assessment to local governments	237,300	231,300	6,000
<b>TOTAL REVENUES</b>	<b>\$38,185,938</b>	<b>\$48,234,231</b>	<b>(\$10,048,293)</b>
<b>TOTAL EXPENSES</b>	<b>\$38,568,151</b>	<b>\$47,070,408</b>	<b>(\$8,502,257)</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (382,213)</b>	<b>\$ 1,163,823</b>	<b>(\$1,546,036)</b>

## **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 donations. In 2012 ETHRA received an appropriation from the State of Tennessee budget.

Total assets decreased in fiscal year 2012 compared to 2011, mostly as a result of depreciation on fixed assets purchased with American Recovery and Reinvestment Act (ARRA).

Total revenues and expenses decreased primarily as a result of the completion of activities related to the (ARRA).

### **Program Highlights**

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

One major reporting change occurred in 2012. ETHRA entered into contracts with AmeriChoice to operate a Call Center/Transport Program for AmeriChoice TennCare clients in east and middle Tennessee. Through this contract, ETHRA has subcontracts with vendors to provide transports. Previously this activity was reflected in the Proprietary Fund; however, after careful review, it was determined that the call center should be reclassified to the Governmental Fund. 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. The fact that the underlying revenues are governmental in nature is one major factor in making this change. The other major factor is that the call center is managed by transportation which is already a Governmental Fund. For financial reporting purposes the call center has been combined with transportation. Although ETHRA has assigned the call center fund balance to transportation, ETHRA still considers the call center fund balance to be unrestricted and could be used for other Agency purposes.

### **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. Although, effects can be positive or negative due to the economic environment, there are some concerns related to on-going fiscal negotiations in Washington, and the financial decline that has been on-going.

As a result, the overall Agency operations are expected to decrease 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.



# CRAINE, THOMPSON, & JONES, P.C.

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## **CERTIFIED PUBLIC ACCOUNTANTS**

**225 WEST FIRST NORTH STREET  
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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, 2012, 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, 2012, 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 27, 2012, 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.

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

**THOMAS M. JONES, CPA  
HIRAM H. JONES, CPA  
TERRY M. WINSTEAD, 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 27 through 31 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.

*Craig Thompson & Jones, P.C.*

Morristown, Tennessee  
December 27, 2012

**East Tennessee Human Resource Agency, Inc.**  
**Statement of Net Assets**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,635,248	\$ 683,395	\$ 4,318,643
Investments	5,000		5,000
Receivables, net of allowance for uncollectible accounts	4,617,487		4,617,487
Loans receivable	957,558		957,558
Deposits	17,065		17,065
Prepaid expenditures	552,266		552,266
Capital assets, not being depreciated			
Land	32,614		32,614
Capital assets, net of accumulated depreciation			
Buildings	953,947		953,947
Furniture and equipment	816,847		816,847
Vehicles	2,905,500	34,724	2,940,224
Leasehold improvements	44,887		44,887
Total capital assets	4,753,795	34,724	4,788,519
Total assets	14,538,419	718,119	15,256,538
<b><u>LIABILITIES</u></b>			
Accounts payable	1,544,350	30,316	1,574,666
Accrued expenses	1,706,170	94,424	1,800,594
Deferred revenue	2,119,155		2,119,155
Internal payable, net	39,661		39,661
Advances	41,651		41,651
Long-term liabilities			
Due within one year	12,213		12,213
Total liabilities	5,463,201	124,740	5,587,941
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	4,741,582		4,741,582
Restricted for:			
THDA - House Loan	1,034,682		1,034,682
MVEOA	163,328		163,328
East Tennessee Foundation Investment	5,000		5,000
Unrestricted	3,130,626	593,379	3,724,005
Total net assets	\$ 9,075,218	\$ 593,379	\$ 9,668,597

See accompanying notes to the financial statements

**East Tennessee Human Resource Agency, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

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	Governmental Activities	Business-type Activities	Primary Government	
								Total	Total
<b>Primary government</b>									
Governmental activities									
General government	\$ 2,369,734	\$ (2,162,199)	\$ 68,663	\$ 600	\$	\$ (138,272)	\$	\$	\$ (138,272)
Aging	9,190,676	374,016	194,439	9,445,652		75,398			75,398
Transportation	9,266,058	1,003,864	5,167,203	4,127,213	370,463	(605,043)			(605,043)
Workforce development	3,593,900	167,672		3,672,295		(89,277)			(89,277)
Housing and restoration	3,239,238	54,601	85,256	3,202,394		(6,189)			(6,189)
Title V	1,256,229	20,818		1,277,045		(2)			(2)
AIDS support	883,415	22,647		909,415		3,353			3,353
Corrections and probation	1,627,156	132,163	82,463	1,686,278		9,422			9,422
Child and Family Assistance	1,755,933	92,797	2,018	1,940,793		94,081			94,081
Mountain Valley	373,891	48,742	4,075	464,970		46,413			46,413
SSI Represent. Payee Admin	0	0	1,261			1,261			1,261
Loan	6,947		24,927			17,980			17,980
Total governmental activities	<u>33,563,177</u>	<u>(244,879)</u>	<u>5,630,305</u>	<u>26,726,656</u>	<u>370,463</u>	<u>(590,874)</u>			<u>(590,874)</u>
Business-type activities									
Misdemeanor	1,372,957	189,280	1,584,925				22,688		22,688
HUD housing choice voucher	3,632,017	55,599	3,636,289				(51,327)		(51,327)
Total business-type activities	<u>5,004,974</u>	<u>244,879</u>	<u>5,221,214</u>						
Total primary government	<u>\$ 38,568,151</u>	<u>\$ -</u>	<u>\$ 10,851,519</u>	<u>\$ 26,726,656</u>	<u>\$ 370,463</u>	<u>(590,874)</u>	<u>(28,639)</u>		<u>(619,513)</u>
General revenues:									
Assessments to local governments						237,300			237,300
Total general revenues						<u>237,300</u>			<u>237,300</u>
Net assets - beginning								(28,639)	(382,213)
Net assets - ending						9,428,792	622,018		10,050,810
						<u>\$ 9,075,218</u>	<u>\$ 593,379</u>		<u>\$ 9,668,597</u>

See accompanying notes to the financial statements

**East Tennessee Human Resource Agency, Inc.**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General	Human Resource Services	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,886,858	\$ 748,390	\$ 3,635,248
Investments	5,000		5,000
Grant and contract receivables, net of allowance for uncollectibles		4,617,487	4,617,487
Loans receivable		957,557	957,557
Deposits	17,065		17,065
Prepaid expenditures	552,266		552,266
Total assets	\$ 3,461,189	\$ 6,323,434	\$ 9,784,623
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Accounts payable	59,818	1,484,532	1,544,350
Due to other funds	39,661		39,661
Accrued expenses	972,459	733,711	1,706,170
Deferred revenue	1,065,078	1,054,077	2,119,155
Advances		41,651	41,651
Total liabilities	2,137,016	3,313,971	5,450,987
 <b>Fund balances:</b>			
Nonspendable	274,958		274,958
Restricted	5,000	1,198,011	1,203,011
Assigned	-	1,642,737	1,642,737
Unassigned	1,044,215	168,716	1,212,931
Total fund balances	1,324,173	3,009,464	4,333,637
Total liabilities and fund balances	\$ 3,461,189	\$ 6,323,435	

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 \$5,212,500 \$ 4,753,795

Certain long-term liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:  
Capital purchase note payable (12,213)

Net assets of governmental activities \$ 9,075,219

See accompanying notes to the financial statements

**East Tennessee Human Resource Agency, Inc.**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General	Human Resource Services	Total Governmental Funds
<b><u>REVENUES</u></b>			
Grantor contributions	\$	\$ 26,084,517	\$ 26,084,517
Program income		5,328,351	5,328,351
USDA		406,300	406,300
Assessments to local governments	237,300	16,000	253,300
Career Centers / reimbursements		59,961	59,961
Interest income		23,947	23,947
Other income	12,714	243,716	256,430
Total revenues	250,014	32,162,792	32,412,806
<b><u>EXPENDITURES</u></b>			
<b>Current:</b>			
General	11,417		11,417
Aging		9,359,267	9,359,267
Transportation		8,979,761	8,979,761
Workforce development		3,717,757	3,717,757
Housing and restoration		3,273,606	3,273,606
Title V		1,111,742	1,111,742
AIDS support		906,062	906,062
Corrections and probation		1,738,751	1,738,751
Child & Family Assistance		1,838,914	1,838,914
Mountain Valley		418,578	418,578
Loan program		6,947	6,947
<b>Capital outlays</b>	101,250	400,363	501,613
<b>Debt service:</b>			
Principal retirement	-	148,781	148,781
Interest expense	-	3,547	3,547
Total expenditures	112,667	31,904,076	32,016,743
Excess of revenues over expenditures	137,347	258,716	396,063
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in - match	-	137,006	137,006
Transfers out - match	(137,006)		(137,006)
Total other financing sources (uses)	(137,006)	137,006	-
Net change in fund balance	341	395,722	396,064
Fund balances - beginning	1,323,832	2,613,741	3,937,573
Fund balances - ending	\$ 1,324,173	\$ 3,009,463	\$ 4,333,636

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, 2012**

Net change in fund balances - total governmental funds	\$ 396,064
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	501,613
Depreciation expense	(1,435,432)
	(933,819)
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	35,401
Loan payments	148,781
	184,182
Change in net assets of governmental activities	\$ (353,573)

See accompanying notes to the financial statements

**East Tennessee Human Resource Agency, Inc.**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2012**

	Misdemeanor	HUD HCV	TOTAL
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 185,407	\$ 497,988	\$ 683,395
Accounts receivable			-
Prepaid expenditures			-
Total current assets	185,407	497,988	683,395
Noncurrent Assets:			
Capital assets			
Vehicles, net	7,836	26,888	34,724
Total noncurrent assets	7,836	26,888	34,724
Total assets	\$ 193,243	\$ 524,876	\$ 718,119
 <b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable	\$ 20,805	\$ 9,510	\$ 30,316
Accrued expenses	82,606	11,819	94,424
Total current liabilities	103,411	21,329	124,740
Total liabilities	103,411	21,329	124,740
 <b><u>NET ASSETS</u></b>			
Unrestricted	67,143	554,875	622,018
Net revenue	22,688	(51,327)	(28,639)
Total net assets	\$ 89,831	\$ 503,548	\$ 593,379

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, 2012**

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>TOTAL</u>
<b><u>OPERATING REVENUES</u></b>			
Program income	\$ 1,582,348	\$ 3,632,146	\$ 5,214,494
Other revenue	2,577	4,143	6,720
Total operating revenues	<u>1,584,925</u>	<u>3,636,289</u>	<u>5,221,214</u>
<b><u>OPERATING EXPENSES</u></b>			
Salaries	799,626	232,015	1,031,642
Fringe benefits	198,003	58,930	256,933
Grant and program costs	3,332	3,245,137	3,248,468
Occupancy	113,705	25,207	138,912
Consultants and contracted services	1,980	3,824	5,804
Telephone	43,117	7,379	50,496
Training and conferences	76,447	100	76,547
Travel	44,221	8,569	52,790
Supplies	14,270	4,352	18,622
Insurance and bonding	22,673	6,377	29,050
Maintenance and repairs	16,636	11,474	28,110
Lease payments	17,210	6,237	23,448
Depreciation	4,726	9,801	14,527
Postage and freight	7,711	9,771	17,482
Printing	9,213	2,793	12,006
Other expenses	89	50	139
Indirect cost allocation	189,280	55,599	244,879
Total operating expenses	<u>1,562,237</u>	<u>3,687,616</u>	<u>5,249,854</u>
Operating income	22,688	(51,327)	(28,639)
Total net assets - beginning	<u>67,143</u>	<u>554,875</u>	<u>622,018</u>
Total net assets - ending	<u>\$ 89,831</u>	<u>\$ 503,548</u>	<u>\$ 593,379</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, 2012**

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Supervision fee receipts	\$ 1,520,246	\$	\$ 1,520,246
Fee receipts	63,768	3,636,289	3,700,057
Receipts of insurance reimbursements	728		728
Receipts of interest	183		183
Payments to employees	(842,456)	(246,136)	(1,088,591)
Payments for fringe benefits	(198,003)	(58,930)	(256,933)
Payments to vendors	(370,489)	(3,333,888)	(3,704,376)
Payments for indirect costs	(189,280)	(55,599)	(244,878)
Net Cash Provided by Operating Activities	<u>(15,302)</u>	<u>(58,263)</u>	<u>(73,565)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(15,302)	(58,263)	(73,565)
Balance - beginning of the year	<u>200,709</u>	<u>556,252</u>	<u>756,961</u>
Balances - end of the year	<u>\$ 185,407</u>	<u>\$ 497,989</u>	<u>\$ 683,396</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income (loss)	\$ 22,688	\$ (51,327)	\$ (28,640)
Adjustments:			
Depreciation expense	4,726	9,801	14,527
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses		608	608
Increase (decrease) in accounts payable	113	(3,225)	(3,113)
Increase (decrease) in accrued expenses	(42,829)	(14,120)	(56,950)
Increase (decrease) in deferred revenue			-
Net Cash Provided by Operating Activities	<u>\$ (15,303)</u>	<u>\$ (58,263)</u>	<u>\$ (73,568)</u>

See accompanying notes to the financial statements

**East Tennessee Human Resource Agency, Inc.**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	<u>Public Guardian</u>	<u>HUD Escrow</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 367,942	\$ 35,983
Other receivables		464
Investments, at fair value:		
Investment accounts	1,251,763	
Land and buildings	5,979,600	
Total assets	<u>7,599,305</u>	<u>36,447</u>
 <b><u>LIABILITIES</u></b>		
Accounts payable	\$ -	\$ 78
Accrued expenses	51,923	
Total liabilities	<u>51,923</u>	<u>78</u>
 <b><u>NET ASSETS</u></b>		
Held in trust	\$ <u>7,547,382</u>	\$ <u>36,369</u>

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, 2012**

	<u>Public Guardian</u>	<u>HUD Escrow</u>
<b><u>ADDITIONS</u></b>		
Contributions	\$ 1,320,129	\$ 11,158
Trust account income	395,419	
Other revenue	9,568	
Interest	469	65
Total additions	<u>1,725,585</u>	<u>11,223</u>
<b><u>DEDUCTIONS</u></b>		
Distributions	487,329	2,404
Living expenses	746,670	
Total deductions	<u>1,233,999</u>	<u>2,404</u>
Net assets - beginning of year	7,055,796	27,550
Net assets - end of year	<u>\$ 7,547,382</u>	<u>\$ 36,369</u>

See accompanying notes to the financial statements

**EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 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 two business-like activities: Misdemeanor Program 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"). Although, this program was phased out in fiscal year 2011, there are still a few residual accounts that will be closed by the end of fiscal year 2013.

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 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 a change in the estimate will occur over the next year. No allowance is necessary for grantor receivables at June 30, 2012. The allowance for uncollectible accounts for other receivables was \$278,851 at June 30, 2012.

### **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, 2012 were as follows:

	<b>Balance 07/01/11</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/12</b>
Capital assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Furniture and equipment	2,135,311	167,645	-	2,302,956
Vehicles	6,021,079	333,968	(104,282)	6,250,765
Leasehold Improvements	243,382	-	-	243,382
Buildings	1,230,729	-	-	1,230,729
Total other capital assets at cost	<u>9,630,501</u>	<u>501,613</u>	<u>(104,282)</u>	<u>10,027,832</u>
Less accumulated depreciation for:				
Furniture and equipment	(980,160)	(359,004)	-	(1,339,164)
Vehicles	(2,521,038)	(1,040,730)	104,282	(3,457,486)
Leasehold Improvements	(189,045)	(9,450)	-	(198,495)
Buildings	(236,007)	(40,775)	-	(276,782)
Total accumulated depreciation	<u>(3,926,250)</u>	<u>(1,449,959)</u>	<u>104,282</u>	<u>(5,271,927)</u>
Other capital assets, net	<u>5,704,251</u>	<u>(948,346)</u>	-	<u>4,755,905</u>
Total capital assets	<u>\$5,736,865</u>	<u>\$(948,346)</u>	\$ -	<u>\$4,788,519</u>

Depreciation expense for the year ended June 30, 2012 was charged to programs/functions as follows:

Governmental activities:	
Administration	\$ 37,965
Aging	12,366
Transportation	1,286,614
Workforce development	43,815
Housing and restoration	20,233
AIDS support	0
Corrections and probation	20,568
Child development	7,443
Family assistance	2,373
Mountain Valley	4,055
Total depreciation governmental activities	<u>1,435,432</u>
Business-type activities:	
Misdemeanor	4,726
HUD housing choice voucher	9,801
Total depreciation business-type activities	<u>14,527</u>
Total Depreciation	<u><u>\$1,449,959</u></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.

<b>Assets</b>	<b>Years</b>
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, 2012
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, 2012:

Year ending June 30, 2013	<u>\$9,761</u>
Total minimum lease payments	9,761
Less: Amount representing interest	<u>(780)</u>
Present value of minimum lease payments	<u>\$8,980</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 \$984,771 in fiscal year 2012. The contingent lease payments for these leases in fiscal year 2013 amount to \$983,196.

The agency also leases various equipment, including copiers and printers, with operating leases. The agency incurred equipment related lease payments of \$140,508 in fiscal year 2012. The contingent lease payments for fiscal year 2013 amount to \$140,650.

**NOTE 8: LOANS**

The agency had a Commercial Note, which was a renewal and/or amendment of the note extended as of June 30, 2005, established with SunTrust Bank in the amount of \$148,781 from March 19, 2011 until February 28, 2012. Interest accrued on outstanding balances is the Prime Rate per annum, payable monthly. The note matured on February 28, 2012. In February 2012, a payment of \$148,781 was made to retire the note. This note was 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, 2013	<u>2,452</u>	<u>97</u>
Total	<u>\$ 2,452</u>	<u>\$ 97</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 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 FY12.

**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.

	<b>General</b>	<b>Human Resource Services</b>	<b>Total Governmental Funds</b>
<b><u>Nonspendable:</u></b>			
Advances and deposits	274,959		274,959
<b><u>Restricted for:</u></b>			
Mountain Valley		163,329	163,329
Loan		1,034,682	1,034,682
East Tennessee Foundation Investment	5,000		5,000
<b><u>Assigned to:</u></b>			
Aging		263,993	263,993
Transportation		1,277,364	1,277,364
Workforce development		52,827	52,827
Housing and restoration		48,553	48,553
<b><u>Unassigned</u></b>	1,044,214	168,715	1,212,929
<b>Total fund balances</b>	1,324,173	3,009,463	4,333,636

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 \$893,529 at June 30, 2012.

## **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.

### **NOTE 14: RECLASSIFICATION OF CALL CENTER FUND**

After careful review, the call center has been reclassified from a proprietary fund type to a governmental fund type and combined with transportation for reporting purposes. There are several reasons for this change. The call center directly supports and is managed by transportation, which is classified as a governmental fund. In addition, much of its underlying revenues are from governmental sources such as TennCare. Although ETHRA believes that the fund balance of the call center is unrestricted, ETHRA has assigned that fund balance to transportation.

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**East Tennessee Human Resource Agency, Inc.**  
**Schedule of Expenditures by Program**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General	Aging	Transportation	Workforce Development	Housing and Restoration	Title V	AIDS Support	Corrections and Probation	Child & Family Assistance	Mountain Valley	Loan Program	TOTAL
<b>EXPENDITURES</b>												
<b>Current:</b>												
Salaries	1,164,789	1,599,040	4,313,672	1,115,337	226,948	87,483	96,712	1,009,412	394,273	204,143		10,211,809
Fringe benefits	264,885	382,194	989,074	273,500	58,992	22,579	22,814	257,213	96,926	50,578		2,418,757
Grant and program costs (see schedule)	21,204	6,367,686	1,457,061	831,058	2,833,409	2,599	698,264	53,362	1,088,248	53,079	4,960	13,410,929
Occupancy	118,916	132,595	143,938	517,711	21,655	4,527	9,157	104,977	22,577	15,305		1,091,358
Bad debts												
Travel	57,678	156,239	26,610	62,634	14,119	1,517	18,684	30,788	89,005	17,475		474,757
Consultants and contracted services	152,125	117,645	126,202	68,786	4,901	1,366	1,015	2,171	2,284	451	1,842	478,786
Maintenance and repairs	68,142	12,490	202,464	28,183	5,395	438	501	9,297	2,533	4,541		333,984
Supplies	136,874	52,029	167,507	33,703	8,539	9	3,142	18,728	15,749	2,477	145	438,903
Telephone	33,621	42,663	171,338	88,801	5,684	2,540	4,661	47,888	11,859	9,905		418,960
Insurance and bonding	69,354	26,610	316,350	27,667	5,172	1,083	1,343	34,863	7,427	4,258		494,128
Participant wages and fringe benefits				373,147		962,504						1,335,651
Training and conferences	48,551	46,927	21,632	10,196	4,421	31	1,169	21,321	4,695	1,146		160,089
Lease payments	16,244	18,616	24,423	27,102	6,344	1,265	2,246	12,868	4,300	3,593		117,001
Other expenses	8,047	14,635	4,055	77,101	11,978	-	20,748	110	2,397	1,640		140,712
Printing	7,754	10,215	9,823	4,824	2,746	721	301	2,178	859	431		39,850
Postage and freight	5,431	5,667	1,741	10,337	8,703	2,261	2,657	1,411	2,986	813		42,007
Indirect cost allocation	(2,162,199)	374,016	1,003,864	167,672	54,601	20,818	22,647	132,163	92,797	48,742		(244,879)
Total expenditures	11,417	9,359,267	8,979,761	3,717,757	3,273,606	1,111,742	906,062	1,738,751	1,838,914	418,578	6,947	31,362,802
<b>Capital outlays</b>												
Debt service:												
Principal retirement	101,250		370,463				29,900					501,613
Interest expense			148,781									148,781
			3,547									3,547
Total expenditures	112,667	9,359,267	9,502,552	3,717,757	3,273,606	1,111,742	906,062	1,768,651	1,838,914	418,578	6,947	32,016,743
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in - match		34,210							102,795			137,006
Transfers out - match	(137,006)											(137,006)
Total other financing sources (uses)	(137,006)	34,210							102,795			-
Net change in fund balance	249,673	9,325,057	9,502,552	3,717,757	3,273,606	1,111,742	906,062	1,768,651	1,941,709	418,578	6,947	32,016,743

**East Tennessee Human Resource Agency, Inc.**  
**Schedule of Grant and Program Expense**  
**For the Year Ended June 30, 2012**

	<u>General</u>	<u>Human Resource Services</u>	<u>Total Governmental Funds</u>
Participant expenses	\$	\$ 5,923,104	\$ 5,923,104
Subcontractors		5,863,385	5,863,385
Vehicle operations	9,905	1,512,594	1,522,499
Dues and registrations	6,209	16,697	22,906
Medical-drug screens	86	24,343	24,429
Advertising	5,004	39,108	44,112
Meetings		10,493	10,493
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Grant and Program Expenses	\$ <u>21,204</u>	\$ <u>13,389,725</u>	\$ <u>13,410,929</u>

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, 2012**

		<u>Public Guardian</u>
<u>ADDITIONS</u>		
Client assets transferred	\$	1,320,129
Retirement/disability income		369,490
Gain on sale of property		19,262
Other income		9,568
Tax refunds/stimulus payments		6,668
Interest income		469
Insurance refunds		-
Total additions		<u>1,725,585</u>
 <u>DEDUCTIONS</u>		
Nursing home/residential care		532,898
Legal		65,573
Living expenses		69,736
Burial expenses		13,410
Medical and dental		35,113
Fees transfer		7,416
Taxes		16,102
Insurance		6,309
Loan payments		0
Other expenses		114
Distributions to beneficiaries		487,329
Total deductions		<u>1,233,999</u>
 Net decrease in net assets		 491,586
 Net assets - beginning of year		 <u>7,055,796</u>
 Net assets - end of year	\$	 <u><u>7,547,382</u></u>

See accompanying notes to the financial statements

**East Tennessee Human Resource Agency, Inc.**  
**Schedule of Agency Funds**  
**June 30, 2012**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 17,082
Due from other funds	39,661
Total assets	\$ <u><u>56,743</u></u>
 <b><u>LIABILITIES</u></b>	
Accrued expenses	\$ 39,661
Employee volunteer	17,082
Total liabilities	\$ <u><u>56,743</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, 2012**

	<u>Agency Funds</u>
<b><u>ADDITIONS</u></b>	
Contributions from employees	\$ 1,694
Old outstanding checks	10,471
Total additions	<u>\$ 12,165</u>
 <b><u>DEDUCTIONS</u></b>	
Payments for memorials	\$ 832
Payments to State for escheatable funds	0
Old outstanding checks - voided	0
Total deductions	<u>\$ 832</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, 2012

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2011	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2012
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:										
* 93.044	GG-12-35780-00	Aging Services -- III-B	TN Commission on Aging	\$ 225,636	1,269,376		(1,198,397)			296,615
* 93.044	GG-11-32691-00	Aging Services -- III-B	TN Commission on Aging	(340,650)	340,650					-
* 93.044	GG-12-35780-00	Aging Services -- III-B	TN Commission on Aging		306,600		(309,554)			(272,576)
* 93.045	GG-12-35780-00	Aging Planning -- III-C adm	TN Commission on Aging	230,490	90,700					227,536
* 93.045	GG-11-32691-00	Aging Planning -- III-C adm	TN Commission on Aging	(90,700)						-
* 93.045	GG-12-35780-00	Aging Planning -- III-C adm	TN Commission on Aging		100,800					(100,800)
* 93.045	GG-12-35780-00	Aging Planning -- III-C 1 Con	TN Commission on Aging	60,599	867,601		(862,079)			66,121
* 93.045	GG-11-32691-00	Aging Planning -- III-C 1 Con	TN Commission on Aging	(298,009)	298,009					-
* 93.045	GG-12-35780-00	Aging Planning -- III-C 1 Con	TN Commission on Aging		(231,001)					(231,001)
* 93.707	GG-09-28541-00	Aging Planning -- III-C 1 Con ARRA	TN Commission on Aging	(1,420)						(1,420)
* 93.045	GG-12-35780-00	Aging Services -- III-C2HD Nutrition Services	TN Commission on Aging	83,132	1,225,873		(1,374,586)			(65,582)
* 93.045	GG-11-32691-00	Aging Services -- III-C2HD Nutrition Services	TN Commission on Aging	(123,779)	123,779					-
* 93.045	GG-12-35780-00	Aging Services -- III-C2HD Nutrition Services	TN Commission on Aging		(129,173)					(129,173)
* 93.705	GG-09-28541-00	Aging Services -- III-C2HD ARRA Nutrition Services	TN Commission on Aging	(940)						(940)
* 93.043	GG-12-35780-00	Aging Services -- III-D In-home Services PH	TN Commission on Aging	16,097	57,100		(23,956)			49,241
* 93.043	GG-11-32691-00	Aging Services -- III-D In-home Services PH	TN Commission on Aging	(23,700)	23,700					-
* 93.043	GG-12-35780-00	Aging Services -- III-D In-home Services PH	TN Commission on Aging		(15,300)		(149)			(15,300)
* 93.043	GG-11-32691-00	Aging Services -- III-D In-home Services	TN Commission on Aging	1,638	20,200					21,689
* 93.043	GG-12-35780-00	Aging Services -- III-D In-home Services	TN Commission on Aging	(6,058)	6,058					-
* 93.043	GG-12-35780-00	Aging Services -- III-D In-home Services	TN Commission on Aging		(8,200)					(8,200)
* 93.052	GG-12-35780-00	Aging Services -- III-E Caregiver	TN Commission on Aging	4,652	54,900		(54,900)			-
* 93.052	GG-11-32691-00	Aging Services -- III-E Caregiver	TN Commission on Aging	(2,092)	469,435		(348,579)			125,507
* 93.041	GG-12-35780-00	Aging Services -- III-E Caregiver	TN Commission on Aging		(77,335)					(77,335)
* 93.041	GG-11-32691-00	Aging Services -- III-E Caregiver	TN Commission on Aging	1,042	14,064		(8,921)			6,184
* 93.042	GG-12-35780-00	Aging Services -- III-A Title VII EA	TN Commission on Aging	(232)	232					-
* 93.042	GG-11-32691-00	Aging Services -- III-A Title VII EA	TN Commission on Aging		(3,764)					(3,764)
* 93.042	GG-12-35780-00	Aging Services -- III-A Title VII EA	TN Commission on Aging		63,545		(63,200)			345
* 93.042	GG-11-32691-00	Aging Services -- III-A Title VII EA	TN Commission on Aging	(2,596)	2,596					-
* 93.779	GG-11-35351-00	Aging Services -- SHIP	TN Commission on Aging	(17,865)	17,865					-
* 93.779	GG-12-35780-00	Aging Services -- SHIP	TN Commission on Aging	3	53,602		(51,993)			1,612
* 93.779	GG-12-35780-00	Aging Services -- SHIP	TN Commission on Aging		(21,152)					(21,152)
* 93.053	GG-12-35780-00	Aging Services -- USDA/NSIP	TN Commission on Aging		406,929		(406,300)			629
* 93.053	GG-11-32691-00	Aging Services -- USDA/NSIP	TN Commission on Aging	(66,003)	66,003					-
* 93.053	GG-12-35780-00	Aging Services -- USDA/NSIP	TN Commission on Aging		(39,429)					(39,429)
* 93.778	GG-10-28623-00	Aging Services -- Medicaid Waiver	TennCare	126,954	740,876		(867,830)			0
* 93.778	GG-10-28623-00	Aging Services -- Medicaid Waiver	TennCare	(63,790)	63,790					-
* 93.778	GG-12-35553-00	Aging Services -- Medicaid Waiver	TennCare		(69,706)					(69,706)
* 93.045	GG-12-35780-00	Aging Services -- III-E Match	TN Commission on Aging		85,100		(85,100)			-
* 93.045	GG-11-32691-00	Aging Services -- III-E Match	TN Commission on Aging	(6,800)	6,800					-
* 93.045	GG-12-35780-00	Aging Services -- III-E Match	TN Commission on Aging		(13,200)					(13,200)
* 93.045	GG-11-32691-00	Aging Services -- III-E Match	TN Commission on Aging		231,700		(232,300)			133
* 93.045	GG-12-35780-00	Senior Centers	TN Commission on Aging	733	22,800					23,533
* 93.045	GG-11-32691-00	Senior Centers	TN Commission on Aging	(22,800)						-
* 93.045	GG-12-35780-00	Senior Centers	TN Commission on Aging		(26,400)					(26,400)
* 93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging	5	127,800		(127,803)			-
* 93.045	GG-12-35780-00	State Nutrition	TN Commission on Aging		46,345					46,345
* 93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging	(46,345)						-
* 93.045	GG-12-35780-00	State Nutrition	TN Commission on Aging		(12,700)					(12,700)
* 93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging		68,600		(68,600)			-
* 93.045	GG-12-35780-00	State Nutrition	TN Commission on Aging		8,000					8,000
* 93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging	(8,000)						-
* 93.045	GG-12-35780-00	State Nutrition	TN Commission on Aging		(6,900)					(6,900)
* 93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging		113,400		(113,400)			-
* 93.045	GG-12-35780-00	State Nutrition	TN Commission on Aging		1,725,400		(1,639,383)			226,278
* 93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging	(186,000)	186,000					-
* 93.045	GG-12-35780-00	State Nutrition	TN Commission on Aging		(357,000)					(357,000)
* 93.045	GG-11-32691-00	State Nutrition	TN Commission on Aging	(5,674)						(5,674)
* 93.051	GG-10-30524-00	AOA - Alzheimer's	TN Commission on Aging	19,260	3,350		(16,661)			5,948
* 93.051	GG-11-34344-00	AOA - Alzheimer's	TN Commission on Aging				(3,000)			(3,000)

East Tennessee Human Resource Agency, Inc.  
Schedule of Grant Activity  
For Year Ended June 30, 2012

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2011	Cash Receipts	Transfers In	Expenditures	Transfers Out	Points made to State	Balance June 30, 2012
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:										
* 93.048	GG-11-35530-00	ADRC	TN Commission on Aging	(3,300)	3,300					-
	BCBST #10-068	VSHIP	BCBST	(11,613)	11,613					-
* 93.779-93	GG-10-30174	AOA - Medicare Savings Program	TN Commission on Aging	(23,720)	23,720					-
* 41.15	GG-11-34355	PPACA / MIPPA	TN Commission on Aging	(56,699)	101,999		(88,931)			(45,631)
* 93.725	GG-11-32883	Chronic Disease	TN Commission on Aging	(43,470)	76,548		(47,742)			(14,664)
93.048	GG-12-37862-00	Care Transition			8,200		(8,411)			(211)
		LaFollette Medical Foundation			22,000		(22,000)			-
84.002	GG-10-31555	Career Centers - Adult Ed	TN Department of Labor and Workforce Development	(15,224)	6,301	8,923				-
84.002	GG-10-30867	Career Centers - Adult Ed	TN Department of Labor and Workforce Development	(34,234)	67,833	21,080	(94,308)			(26,475)
17.207	GG-12-36594	Career Centers - DOL	TN Department of Labor and Workforce Development		13,154					-
17.207	GG-09-24797	Career Centers - DOL	TN Department of Labor and Workforce Development	(4,638)	215,032		(260,283)			(45,251)
17.207		Career Centers - VR	TN Department of Human Services		4,638					-
17.207		Career Centers - WIA Partners	TN Department of Human Services	(2,929)	18,776		(22,744)			(3,969)
17.207		Career Centers - WIA Partners	TN Department of Labor and Workforce Development		2,929					-
17.235		Career Centers - Pass Thru	TN Department of Labor and Workforce Development	(369)	9,636	369	(13,354)			(3,719)
17.235		Career Centers - Pass Thru	TN Department of Labor and Workforce Development		33,937		(40,642)			(6,705)
17.259		Career Centers - Jobs for TN Graduates	TN Department of Labor and Workforce Development	(431)	431					-
17.259		Career Centers - Jobs for TN Graduates	TN Department of Labor and Workforce Development		2,700		(3,318)			(618)
		Career Centers - TDVA	TN Department of Labor and Workforce Development		337		(852)			(515)
10.558	034764544009	Child Care Centers (CCFP)	TN Department of Human Services	(15,852)	54,776		(38,924)			-
10.558	034760133002	Child Care Food Program	TN Department of Human Services	(41,225)	164,399		(123,175)			-
10.558	034764544009	Child Care Centers (CCFP)	TN Department of Human Services		95,198		(115,765)			(20,566)
10.558	034760133002	Child Care Food Program	TN Department of Human Services		311,534		(356,414)			(44,880)
		Child Protective Services Contracts	Child & Family Services/ETCSA	(1,339)	1,339					-
		Child Protective Services Contracts	Child & Family Services/ETCSA		26,021		(36,205)			(10,184)
* 93.048	GG-11-32016-00	Community Corrections	TN Board of Probation and Parole	(309,774)	1,305,668	1,366	(1,565,202)			(567,943)
		Community Early Intervention	TN Department of Children's Services	(18,378)	18,378					-
		Community Early Intervention	TN Department of Children's Services		118,504		(141,760)			(23,256)
* 93.569	Z 05-020696-00	Community Services Block Grant-Advance	Mountain Valley EOA	18,107						18,107
* 93.569	Z 10-000113	Community Services Block Grant	Mountain Valley EOA	(27,034)	27,034					-
* 93.569	Z 12-000163	Community Services Block Grant	Mountain Valley EOA		74,876		(74,876)			-
* 93.569	Z 12-000113	Community Services Block Grant	Mountain Valley EOA		176,075		(274,643)			(98,569)
97.024	28-7616-00	EFS - Anderson	Federal Emergency Management Agency		-					-
97.024	28-7628-00	EFS - Campbell	Federal Emergency Management Agency		6,419		(6,419)			-
97.024	28-7640-00	EFS - Clifton	Federal Emergency Management Agency		4,850		(4,850)			-
97.024	28-7754-00	EFS - Morgan	Federal Emergency Management Agency		6,997		(6,997)			-
97.024	28-7800-00	EFS - Union	Federal Emergency Management Agency		3,901		(3,901)			-
		Home Delivered Meals (Medicaid Waiver)		(11,200)	9,655	1,545	(70,552)			(10,093)
		Home Delivered Meals (Medicaid Waiver)			60,459					-
		Homemaker (Medicaid Waiver)		(20)	1,717		(1,717)			(20)
93.667	GG-10-28530-00	Homemaker - Adult Protective Services - Advance	TN Department of Human Services	23,544						23,544
93.667	GG-10-28530-00	Homemaker - Adult Protective Services	TN Department of Human Services	(38,797)	38,797					-
93.667	GG-12-35669-00	Homemaker - Adult Protective Services	TN Department of Human Services		105,210		(105,210)			-
93.667	GG-12-37072-00	Homemaker - Adult Protective Services	TN Department of Human Services		277,548		(316,104)			(38,557)

East Tennessee Human Resource Agency, Inc.  
Schedule of Grant Activity  
For Year Ended June 30, 2012

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2011	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2012
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:										
* 14.871	A 3858	Housing Assistance Payments Program	US Dept of Housing & Urban Development		3,588,801		(3,588,801)			-
* 14.871	TN 1131VOORU2	FSS Housing	US Dept of Housing & Urban Development		34,750		(34,750)			-
* 93.568	Z 11-000207	Low-Income Energy Assistance Program	TN Department of Human Services	(335,916)	335,917			(1)		-
* 93.568	Z 12-000257	Low-Income Energy Assistance Program	TN Department of Human Services		402,085		(402,085)			-
* 93.568	Z 12-000207	Low-Income Energy Assistance Program	TN Department of Human Services		2,001,788		(2,121,857)			(120,069)
* 93.568	Z 02-007123-00	Home Modifications	TN Department of Human Services	(18,775)	23,901		(21,502)			(16,376)
14.241	GG 10-27855-00	HOPWA	TN Department of Health	(60,369)	60,369					-
14.241	GR 12-36126-00	HOPWA	TN Department of Health		221,320		(260,391)			(39,071)
93.917	GG-11-35054-00	Provision of HIV Concertia Services	TN Department of Health	(130,575)	473,898		(343,323)			-
93.917	GR 12-38248-00	Provision of HIV Concertia Services	TN Department of Health		31,467		(131,617)			(100,150)
93.940	GG-11-34686-00	Provision of HIV Prevention Services (RAC)	TN Department of Health	(33,627)	130,067	1,413	(97,852)			-
93.940	GG 12-37687-00	Provision of HIV Prevention Services (RAC)	TN Department of Health		51,420		(72,960)			(21,540)
93.917	GG 10-28071-00	Ryan White - Minority Aids Initiative	TN Department of Health	(187)	187					-
* 20.500	GG-08-26124-02	Section 5309 Discretionary Capital	TN Department of Transportation		126,586		(126,586)			-
* 20.521	Z-09-215661-00	Section 5317 New Freedom (Morriscown)	TN Department of Transportation							-
* 20.509	Z-09-219908-00	Transportation - ARRA - Capital	TN Department of Transportation							-
* 20.500	GG-09-29394-00	Section 5309 Discretionary Capital (\$194K)	TN Department of Transportation		182,536		(182,536)			-
* 20.509	GG-10-33314-00	Section 5309 Discretionary Capital (\$1,571K)	TN Department of Transportation		150,881		(150,881)			-
* 20.509	GG-11-32587-00	Section 5309 Discretionary Capital (\$153K)	TN Department of Transportation		20,282		(20,282)			-
* 20.500	GG-11-35014-00	Section 5309 Discretionary Capital (\$38K)	TN Department of Transportation		-		(43,901)			(43,901)
* 20.521	Z-09-215669-01	Section 5317 New Freedom (\$165K)	TN Department of Transportation	(229,169)	229,169					-
* 20.509	GG-11-33528-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		2,687,958		(3,146,951)			(458,994)
* 20.509	GG-12-36113-01	Section 5311 Rural Transportation - Federal	TN Department of Transportation							-
* 20.516	Z-09-215688-00	Jobs Access - Capital - Morriscown (\$126K)	TN Department of Transportation	(19,152)	19,152					-
* 20.516	Z-09-215689-00	Job Access - FY06 \$284K	TN Department of Transportation	(21,306)	120,182		(118,136)			(19,260)
* 20.516	Z-09-215700-00	Job Access - FY07 \$35K	TN Department of Transportation		3,637		(7,593)			(3,957)
NA	GG-12-37586-00	BOPPP	Lakeway Transit	(57,522)	57,522					-
		Lakeway Transit	Lakeway Transit		223,244		(333,687)			(110,444)
		Lakeway Transit	Lakeway Transit	(30,104)	30,104					-
		Oak Ridge Transit	City of Oak Ridge							-
		Oak Ridge Transit	City of Oak Ridge		127,858		(152,715)			(24,857)
10.559	30018	Summer Food Service Program	TN Department of Human Services	(228,619)	490,153		(260,632)		(901)	(0)
10.559	30018	Summer Food Service Program	TN Department of Human Services		119,688		(450,859)			(331,171)
10.568	83265	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture		28,158		(28,158)			-
10.568	83265	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture		16,306		(37,278)			(20,972)
* 17.235	GG-11-32428-00	Title V - SCSFP	TN Department of Labor and Workforce Development	(40,954)	40,954					-
* 17.235	GG-12-35236-01	Title V - SCSFP	TN Department of Labor and Workforce Development		302,592		(319,682)			(17,090)
17.235	312	SSAI Senior Employment	Senior Service America Inc	(266,636)	266,636					-
17.235	312	SSAI Senior Employment	Senior Service America Inc		671,256		(792,058)			(120,802)
		Pettway Foundation	Jane L. Pettway Foundation							-
* 81.042	Z 05-021673-00	Weatherization Assistance-Advance	TN Department of Human Services	26,942				(26,942)		-
* 81.042	Z 11-000425-00	Weatherization Assistance - ARRA	TN Department of Human Services	(552,332)	552,332					-
* 81.042	Z 11-000406-00	Weatherization Assistance	TN Department of Human Services	(201,952)	201,952					-
* 81.042	Z 12-000406-00	Weatherization Assistance	TN Department of Human Services		538,025	26,942	(697,033)			(132,066)
* 17.258	LW04ST91ADULT09	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(82,427)	82,427					0
* 17.259	LW04ST91YOUTH09	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(43,685)	43,685					0
* 17.260	LW04ST91DSLW K09	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(108,997)	108,997					-
* 17.258	LW39S91YUSWA09	Workforce Investment Act - ARRA	TN Department of Labor and Workforce Development	(10,517)	10,517					-

East Tennessee Human Resource Agency, Inc.  
Schedule of Grant Activity  
For Year Ended June 30, 2012

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2011	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2012
				(6,005)	6,005					-
*	17.259	W-39F101YOUTH11	TN Department of Corrections	(177,828)	780,128		(602,301)			-
*	17.260	W-39F105APSWA10	TN Department of Labor and Workforce Development	(47,928)	47,928					-
*	17.260	W-39S791DWNEG09	TN Department of Labor and Workforce Development	-	28,787		(28,787)			-
*	17.258	W-04F111ADULT11	TN Department of Labor and Workforce Development	(111,798)	270,341		(158,542)			(0)
*	17.278	W-04F111DSLWK11	TN Department of Labor and Workforce Development	(76,564)	162,777		(86,212)			0
*	17.258	W-39F111WSWA11	TN Department of Labor and Workforce Development	23,000			(23,000)			-
*	17.259	W-04P111YOUTH12	TN Department of Labor and Workforce Development	(236,653)	236,653					-
*	17.278	W-04P111DSLWK12	TN Department of Labor and Workforce Development		600,020		(600,020)			0
*	17.258	W-04P111ADULT12	TN Department of Labor and Workforce Development		170,544		(170,544)			-
*	17.258	W-04F121ADULT12	TN Department of Labor and Workforce Development		90,308		(90,308)			-
*	17.278	W-04F121DSLWK12	TN Department of Labor and Workforce Development		827,215		(827,215)			0
					538,129		(538,129)			0
					6,856		(20,290)			(13,434)
			Totals	\$ (4,101,204)	30,003,978	61,638	(28,882,285)	(26,943)	(901)	(2,945,717)
			*Major Federal Assistance Program							

(1) Represents amounts due from grantors and contracts  
 (2) Represents advances from grantors  
 (3) Represents unearned grantor revenue



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.  
 SCHEDULE OF NON-CASH ASSISTANCE (1)  
 FOR THE YEAR ENDED JUNE 30, 2012

CFDA #	GRANT #	PROGRAM NAME	GRANTOR AGENCY	Balance 7/1/2011	Receipts	Transfers In	Other Additions	Commodities Distributed	Transfers Out	Other Deductions	Balance 6/30/2012
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:											
10.550	32501-02011	Emergency Food Distribution Program	Tennessee Department of Agriculture	\$ 80,216	\$ 34,867	\$ 0	\$ 0	\$ 51,876	\$ 4,236	\$ (3)	
10.550	DG-1236607	Emergency Food Distribution Program	Tennessee Department of Agriculture	0	151,251	0	0	158,537	3,872	36	47,776
				<u>\$ 80,216</u>	<u>\$ 186,118</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 210,413</u>	<u>\$ 8,108</u>	<u>\$ 36</u>	<u>\$ 47,776</u>

(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 6/30/2012.  
 (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, 2012**

Federal/Pass-through Agency/Program Title	CFDA Number	
U. S. Department of Agriculture:		
Passed through Tennessee Department of Agriculture:		
Emergency Food Assistance Program (Administration)	10.568	65,436
Passed through Tennessee Department of Human Services:		
Child and Adult Care Food Program	10.558	634,276
Summer Food Service Program for Children	10.559	711,491
		<u>1,411,203</u>
U.S. Department of Housing and Urban Development:		
Section 8 Rental Voucher Program	14.871	3,623,551
Passed through Tennessee Department of Health:		
Housing Opportunities for Persons with Aids	14.241	260,391
		<u>3,883,942</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	296,381
Career Centers-Pass Thru	17.235	40,642
Senior Community Service Employment-State	17.235	319,682
Senior Community Service Employment-SSAI	17.235	792,058
Workforce Investment Act Adult Program	17.258	1,076,066
Workforce Investment Act Youth Activities	17.259	1,205,638
Workforce Investment Act Dislocated Workers	17.260	28,787
Workforce Investment Act Dislocated Worker Formula	17.278	794,886
		<u>4,554,140</u>
U.S. Department of Transportation:		
Passed through Tennessee Department of Transportation:		
Federal Transit_Capital Investment Grants	20.500	329,404
Formula Grants for Other Than Urbanized Areas	20.509	3,297,832
Job Access_Reverse Commute	20.516	118,136
New Freedom Program	20.521	43,901
		<u>3,789,273</u>
U.S. Department of Energy:		
Weatherization Assistance for Low-income Persons		
Weatherization Assistance for Low-income Persons	81.042	697,033
		<u>697,033</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	84.002	94,308
		<u>94,308</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	22,167
		<u>22,167</u>
U.S. Department of Health and Human Services:		
Passed through Tennessee Commission on Aging:		

**East Tennessee Human Resource Agency, Inc.**  
**Schedule of Expenditures of Federal Awards and State Grants (1)**  
**For the Year Ended June 30, 2012**

Federal/Pass-through Agency/Program Title	CFDA Number	
Special Programs for the Aging, Title VII, Chapter 3	93.041	8,921
Special Programs for the Aging, Title VII, Chapter 2	93.042	63,200
Special Programs for the Aging, Title III, Part D	93.043	24,105
Special Programs for the Aging, Title III, Part B	93.044	1,198,397
Special Programs for the Aging, Title III, Part C	93.045	2,631,320
Special Programs for the Aging, Title IV and Title III	93.048	8,411
Alzheimer's Disease Demonstration Grants	93.051	19,661
National Caregiver Support, Title III, Part E	93.052	403,479
Nutritional Services Incentive Program	93.053	406,300
Chronic Disease Management Program	93.725	47,742
		<u>4,811,536</u>
Passed through Tennessee Department of Human Services:		
Low Income Heating and Energy Assistance Program	93.568	2,545,444
Community Services Block Grant	93.569	349,520
Social Services Block Grant	93.667	421,314
		<u>3,316,278</u>
Passed through Tennessee Department of Health:		
HIV Care Formula Grants - Consortia Services	93.917	474,940
HIV Prevention Activities	93.940	170,812
		<u>645,752</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	73,125
PPACA / MIPPA	93.779	88,931
		<u>162,056</u>
Passed through TennCare		
Medical Assistance Program	93.778	937,536
		<u>937,536</u>
<b>Total Federal</b>		<b><u>24,325,224</u></b>
State and Local Grants:		
Child Protective Services	N/A	36,205
Community Corrections	N/A	1,565,202
Community Intervention Services	N/A	141,760
Home Delivered Meals (Medicaid Waiver)	N/A	70,552
Homemaker (Medicaid Waiver)	N/A	1,717
Senior Centers	N/A	232,300
State Guardianship	N/A	113,400
State Homemaker	N/A	68,600
State Nutrition	N/A	127,803
State Aging - Options	N/A	1,639,383
Lakeway Transit	N/A	333,687
Oak Ridge Transit	N/A	152,715
Transportation BOPP	N/A	7,593
LaFollettee Medical Foundation	N/A	22,000
Workforce Investment Act (Mathematical Study)	N/A	23,000
Workforce Investment Act (work keys)	N/A	20,290

**East Tennessee Human Resource Agency, Inc.**  
**Schedule of Expenditures of Federal Awards and State Grants (1)**  
**For the Year Ended June 30, 2012**

Federal/Pass-through Agency/Program Title	CFDA Number	
Career Centers - TDVA	N/A	<u>852</u>
Total State and Local		<u><b>4,557,061</b></u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with Generally Accepted Accounting Principles

**28,882,285**

**East Tennessee Human Resource Agency, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

**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>
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
20.509	Section 5311 Rural Transportation
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, 2012**

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.

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## **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, 2012, which collectively comprise ETHRA's basic financial statements and have issued our report thereon dated December 27, 2012. 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

Management of ETHRA is responsible for establishing and maintaining effective 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.

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

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

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.

Craig Thompson & Jones, P.C.

Morristown, Tennessee  
December 27, 2012



# CRAINE, THOMPSON, & JONES, P.C.

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## CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET

P.O. BOX 1779

SUITE 300, MILLENNIUM SQUARE

MORRISTOWN, TENNESSEE 37816-1779

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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, 2012. 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, 2012.

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JAMES W. CRAINE, CPA  
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HIRAM H. JONES, CPA  
TERRY M. WINSTEAD, 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.

Craig Thompson + Jones, P.C.

Morristown, Tennessee  
December 27, 2012