

**EAST TENNESSEE
HUMAN RESOURCE AGENCY, INC.**

AUDIT FINANCIAL REPORT

June 30, 2013

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East Tennessee Human Resource Agency, Inc.
Gary Holiway, Executive Director
Board of Directors and Policy Council
As of June 30, 2013

Anderson County

- * County Mayor Terry Frank
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 Michael Talley, Townsend
Mayor Carl Koella, Rockford
Mayor Ann Edmonds, Friendsville
- ** Mr. David Buchanan
Mr. Bryan Daniels
Mr. George Williams

Campbell County

- * **County Mayor William Baird - Chair**
Mayor Chris Stanley, 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 Bill McGaffee, Cumberland Gap
Mayor Bill Fultz, Harrogate
Mayor Jerry Beeler, New Tazewell
Mayor Wayne Jessie, Tazewell
- * Ms. Robin Mason

Cocke County

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

Grainger County

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

Hamblen County

- * County Mayor Bill Brittain
Mayor Danny Thomas, Morristown
Mr. Marshall Ramsey
- ** Mr. Chris Bell

Jefferson County

- County Mayor Alan Palmieri
Mayor Charles Summer, 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. Susan Long
Mr. Glenn Ray
- ** Ms. Hermal Tailor

Loudon County

- * **County Mayor Estelle Herron - Vice Chair**
Mayor Tom Peeler, Greenback
Mayor Tony Aikens, Lenoir City
Mayor Judy McGill Keller, Loudon
Mayor John Drinnen, Philadelphia
Ms. Pat Phillips
- ** Mr. Bryant Howard

Monroe County

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

Morgan County

- * County Executive Don Edwards
Mayor Joey Williams, Wartburg
Mayor J.R. Voyles, Oakdale
Mayor Dennis Reagan, Sunbright
- ** Ms. Sharon Heidel

Roane County

- * County Executive Ron Woody
Mayor Chris Mason, Harriman
- * **Mayor Troy Beets, Kingston - Secretary**
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
Mayor Mike Helton, Gatlinburg
Mayor David Wear, Pigeon Forge
Mayor Glenn Cardwell, Pittman Center
Mayor Bryan Atchley, Sevierville
Ms. Earlene Teaster
- ** Mrs. Jane Howes

Union County

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

General Assembly

- * Senator Stacey Campfield
- * Representative Kelly Keisling

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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, 2013. 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 Position
 - ii. Statement of Activities
2. Governmental Fund financial statements
 - i. Balance Sheet
 - ii. Statement of Revenues, Expenditures, and Changes in Fund Balances
 - 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 Position 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 Position (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 2013.

During the year, ETHRA created three Internal Service Funds. These funds are used to track the major equipment in transportation, fringe benefits for all ETHRA employees, and a vehicle pool, where vehicles are used by almost all programs and a mileage rate is charged.

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, SSI Representative Payee, and HUD Family Self Sufficiency Escrow are fiduciary activities of ETHRA.

Financial Summary

	2013	2012	Increase/ (Decrease)
ASSETS			
Cash and cash equivalents	\$ 4,114,054	\$ 4,323,643	\$ (209,589)
Capital assets (net of accumulated depreciation)	4,956,959	4,788,519	168,440
Receivables from grantors, contractors, and others	6,017,867	5,575,045	442,822
Prepaid expenses and deposits	176,313	569,331	(393,018)
TOTAL ASSETS	15,265,193	15,256,538	8,655
TOTAL LIABILITIES	5,403,909	5,587,941	(184,032)
Investment in capital assets	4,934,266	4,741,582	192,684
Restricted net assets	1,158,753	1,203,010	(44,257)
Unrestricted net assets	3,768,265	3,724,005	44,260
TOTAL NET ASSETS	\$ 9,861,284	\$ 9,668,597	\$ 192,687
REVENUES:			
Operating grants and contributions	\$ 25,810,377	\$ 26,726,656	\$ (916,279)
Capital grants and contributions	-	370,463	(370,463)
Charges for services	12,061,188	10,851,519	1,209,669
Assessment to local governments	269,590	237,300	32,290
TOTAL REVENUES	\$ 38,141,155	\$ 38,185,938	\$ (44,783)
TOTAL EXPENSES	\$ 37,948,468	\$ 38,568,151	\$ (619,683)
CHANGE IN NET ASSETS	\$ 192,687	\$ (382,213)	\$ 574,900

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 2013, ETHRA continued to receive the appropriation from the State of Tennessee budget.

Total assets decreased in fiscal year 2013 compared to 2012, mostly as a result of cash. Cash was lower because the Agency purchased over \$1,300,000 in transportation vehicles using grants. The funds were not received until July 2013.

Program Highlights

Overall, each of the programs at ETHRA has operated without material deviation from budget. As described below, a few programs are receiving lower revenues which are impacting their operations. There have been discussions about reducing costs to maintain the financial stability of the affected programs.

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.

CERTIFIED PUBLIC ACCOUNTANTS

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MORRISTOWN, TENNESSEE 37816-1779

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ETHRA's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic 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 presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic 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 and basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, 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 control 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* in considering ETHRA's internal control over financial reporting and compliance.

Craine Thompson + Jones, P.C.

Morristown, Tennessee
November 8, 2013

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,784,987	\$ 324,067	\$ 4,109,054
Investments	5,000	-	5,000
Receivables, net of allowance for uncollectible accounts	5,064,327	5,600	5,069,927
Loans receivable	947,940	-	947,940
Deposits	17,065	-	17,065
Prepaid expenditures	159,248	-	159,248
Capital assets, not being depreciated			
Land	32,614		32,614
Capital assets, net of accumulated depreciation			
Buildings	914,164	-	914,164
Furniture and equipment	643,134	-	643,134
Leasehold improvements	35,437	22,693	58,130
Vehicles	3,308,917	-	3,308,917
Total capital assets	<u>4,934,266</u>	<u>22,693</u>	<u>4,956,959</u>
Total assets	<u>14,912,833</u>	<u>352,360</u>	<u>15,265,193</u>
<u>LIABILITIES</u>			
Checks written in excess of cash balance	1,247,739	-	1,247,739
Accounts payable	1,382,578	24,700	1,407,278
Accrued expenses	2,692,460	13,169	2,705,629
Deferred revenue	1,612	-	1,612
Advances	41,651	-	41,651
Total liabilities	<u>5,366,040</u>	<u>37,869</u>	<u>5,403,909</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	4,934,266	-	4,934,266
Restricted for:			
THDA - House Loan	989,637	-	989,637
MVEOA	164,116	-	164,116
East Tennessee Foundation Investment	5,000	-	5,000
Unrestricted	3,453,774	314,491	3,768,265
Total net position	<u>\$ 9,546,793</u>	<u>\$ 314,491</u>	<u>\$ 9,861,284</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses			Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Direct	Indirect	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total
							Business-type Activities	Total	
Primary government									
Governmental activities									
General government	\$ 2,040,603	\$ (2,209,694)	\$ 16,665	\$ 100	\$ -	\$ 185,856	\$ -	\$ -	\$ 185,856
Aging	7,435,670	253,993	330,696	8,870,412	-	1,511,445	-	-	1,511,445
ETHRA Aging	1,309,893	114,744	295,962	76,613	-	(1,052,062)	-	-	(1,052,062)
Transportation	9,852,373	1,000,452	5,849,816	4,891,302	-	(111,707)	-	-	(111,707)
Workforce development	3,550,328	250,890	67,805	3,695,658	-	(37,755)	-	-	(37,755)
Housing and restoration	2,676,620	51,261	92,509	2,580,976	-	(54,396)	-	-	(54,396)
Title V	1,263,204	20,075	165,264	1,118,015	-	-	-	-	-
AIDS support	929,495	23,502	-	949,952	-	(3,045)	-	-	(3,045)
Corrections and probation	1,699,865	110,353	97,450	1,743,136	-	30,368	-	-	30,368
Child and Family Assistance	1,117,807	24,619	-	986,289	-	(156,137)	-	-	(156,137)
Homemaker	457,762	63,978	5,580	425,280	-	(90,880)	-	-	(90,880)
Mountain Valley	441,555	56,856	4,429	472,644	-	(21,338)	-	-	(21,338)
SSI Represent. Payee Admin	-	-	2,363	-	-	2,363	-	-	2,363
Loan	29,192	-	28,465	-	-	(727)	-	-	(727)
Total governmental activities	32,804,367	(238,971)	6,957,004	25,810,377	-	201,985	-	-	1,254,047
Business-type activities									
Miscellaneous	1,420,272	185,757	1,600,561	-	-	-	(5,468)	(5,468)	(5,468)
HUD Housing Choice Voucher	3,723,829	53,214	3,503,623	-	-	(273,420)	-	-	(273,420)
Total business-type activities	5,144,101	238,971	5,104,184	-	-	201,985	(278,888)	(76,903)	(76,903)
Total primary government	\$ 37,948,468	\$ -	\$ 12,061,188	\$ 25,810,377	\$ -	\$ 201,985	\$ (278,888)	\$ (76,903)	\$ (76,903)
General revenues:									
Assessments to local governments						269,590	-	-	269,590
Total general revenues						269,590	-	-	269,590
Change in net position						471,575	(278,888)	593,379	192,687
Net position - beginning						9,075,218			9,668,597
Net position - ending						\$ 9,546,793	\$ 314,491	\$ -	\$ 9,861,284

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Balance Sheet
Governmental Funds
June 30, 2013

	General	Human Resource Services	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,396,433	\$ -	\$ 1,396,433
Investments	5,000	-	5,000
Grant and contract receivables, net of allowance for uncollectibles	10,509	5,052,707	5,063,216
Loans receivable	-	947,940	947,940
Deposits	17,065	-	17,065
Prepaid expenditures	1,033	26	1,059
Total assets	\$ 1,430,040	\$ 6,000,673	\$ 7,430,713
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Checks written in excess of cash balance	\$ -	\$ 1,247,739	\$ 1,247,739
Accounts payable	54,203	1,324,929	1,379,132
Accrued expenses	-	240,503	240,503
Deferred revenue	-	1,612	1,612
Advances	-	41,651	41,651
Total liabilities	54,203	2,856,434	2,910,637
 Fund balances:			
Nonspendable	17,065	-	17,065
Restricted	5,000	1,153,753	1,158,753
Assigned	-	1,990,486	1,990,486
Unassigned	1,353,772	-	1,353,772
Total fund balances	1,375,837	3,144,239	4,520,076
Total liabilities and fund balances	\$ 1,430,040	\$ 6,000,673	

Amounts reported for governmental activities in the Statement of Net Position 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 \$6,186,198	4,934,266
Increase in net position of internal service funds	92,451
Net assets of governmental activities	\$ 9,546,793

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, 2013

	General	Human Resource Services	Total Governmental Funds
REVENUES			
Grantor contributions	\$ -	\$ 26,727,717	\$ 26,727,717
Program income	-	5,378,653	5,378,653
USDA	-	385,529	385,529
Assessments to local governments	230,540	39,050	269,590
Career Centers / reimbursements	-	41,153	41,153
Interest income	-	27,494	27,494
Other income	16,765	190,070	206,835
Total revenues	<u>247,305</u>	<u>32,789,666</u>	<u>33,036,971</u>
EXPENDITURES			
Current:			
General	274	-	274
Aging	-	7,689,663	7,689,663
ETHRA Aging	-	1,424,637	1,424,637
Workforce Development	-	3,801,218	3,801,218
Title V	-	1,283,278	1,283,278
LIHEAP WAP	-	2,727,881	2,727,881
Transportation Call Center	-	10,852,827	10,852,827
Community Corrections	-	1,810,218	1,810,218
Child Care Food	-	1,142,426	1,142,426
Homemaker	-	521,740	521,740
Mountain Valley	-	498,411	498,411
AIDS Support	-	952,997	952,997
Loan Program	-	29,192	29,192
Total expenditures	<u>274</u>	<u>32,734,488</u>	<u>32,734,762</u>
Excess of revenues over expenditures	<u>247,031</u>	<u>55,178</u>	<u>302,209</u>
OTHER FINANCING SOURCES (USES)			
Transfers in - match	-	123,915	123,915
Transfers out - match	(123,915)	-	(123,915)
Total other financing sources (uses)	<u>(123,915)</u>	<u>123,915</u>	<u>-</u>
Net change in fund balance	<u>123,116</u>	<u>179,094</u>	<u>302,210</u>
Fund balances - beginning, before adjustment	1,324,173	3,009,463	4,333,636
Fund balances used to create internal service funds	<u>(71,452)</u>	<u>(44,318)</u>	<u>(115,770)</u>
Fund balances - beginning, as adjusted	<u>1,252,721</u>	<u>2,965,145</u>	<u>4,217,866</u>
Fund balances - ending	<u>\$ 1,375,837</u>	<u>\$ 3,144,239</u>	<u>\$ 4,520,076</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 302,210

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

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

Capital assets purchases capitalized	1,716,660
Capital assets disposal, net of accumulated depreciation	(155,510)
Depreciation expense	(1,378,227)
Increase in net position of internal service funds	92,451
Transfer fund balance to create internal service funds	(115,770)
	159,604

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	9,761
	9,761

Change in net assets of governmental activities \$ 471,575

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2013

	Misdemeanor	HUD HCV	Total	Governmental Activities Internal Service Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 99,635	\$ 224,432	\$ 324,067	\$ 2,388,554
Grants receivable	-	5,600	5,600	-
Payroll receivables	-	-	-	1,111
Prepaid expenditures	-	-	-	158,189
Total current assets	99,635	230,032	329,667	2,547,854
Noncurrent Assets:				
Capital assets				
Vehicles, net	4,417	18,276	22,693	3,590,469
Total noncurrent assets	4,417	18,276	22,693	3,590,469
Total assets	\$ 104,052	\$ 248,308	\$ 352,360	\$ 6,138,323
 LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 19,521	\$ 5,179	\$ 24,700	\$ 3,446
Accrued expenses	169	13,000	13,169	2,451,957
Total current liabilities	19,690	18,179	37,869	2,455,403
Total liabilities	19,690	18,179	37,869	2,455,403
 NET POSITION				
Net investment in capital assets	-	-	-	3,590,469
Unrestricted net position	89,831	503,548	593,379	1,165,661
Temporarily restricted net position	-	-	-	71,451
Net revenue	(5,468)	(273,420)	(278,888)	(1,144,661)
Total net position	\$ 84,363	\$ 230,128	\$ 314,491	\$ 3,682,920

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Misdemeanor	HUD HCV	Total	Governmental Activities Internal Service Funds
<u>OPERATING REVENUES</u>				
Program income	\$ 1,599,158	\$ 3,500,443	\$ 5,099,601	\$ -
Other revenue	1,403	3,180	4,583	111,789
Total operating revenues	<u>1,600,561</u>	<u>3,503,623</u>	<u>5,104,184</u>	<u>111,789</u>
<u>OPERATING EXPENSES</u>				
Salaries	787,685	224,225	1,011,910	-
Fringe benefits	191,726	57,033	248,759	(22,249)
Grant and program costs	36,364	3,347,791	3,384,155	-
Occupancy	121,362	26,232	147,594	-
Consultants and contracted services	3,762	4,745	8,507	4,000
Gasoline	-	-	-	34,331
Telephone	51,001	8,396	59,397	-
Training and conferences	60,938	91	61,029	-
Travel	58,720	6,098	64,818	-
Supplies	20,732	4,837	25,569	-
Insurance and bonding	20,694	5,880	26,574	17,544
Maintenance and repairs	27,722	12,314	40,036	16,070
Lease payments	16,480	7,127	23,607	-
Depreciation	3,418	8,613	12,031	1,203,911
Postage and freight	9,611	7,424	17,035	-
Printing	10,057	2,691	12,748	-
Other expenses	0	332	332	2,844
Indirect cost allocation	185,757	53,214	238,972	-
Total operating expenses	<u>1,606,029</u>	<u>3,777,043</u>	<u>5,383,073</u>	<u>1,256,451</u>
Operating income	(5,468)	(273,420)	(278,888)	(1,144,662)
Total net position - beginning	<u>89,831</u>	<u>503,548</u>	<u>593,379</u>	<u>4,827,582</u>
Total net position - ending	<u>\$ 84,363</u>	<u>\$ 230,128</u>	<u>\$ 314,491</u>	<u>\$ 3,682,920</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, 2013

	Misdemeanor	HUD HCV	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Supervision fee receipts	\$ 1,522,676	\$ -	\$ 1,522,676	\$ -
Fee receipts	77,677	3,503,623	3,581,300	-
Other revenue	0	-	-	111,789
Receipts of interest	208	-	208	-
Payments to employees	(870,122)	(223,044)	(1,093,166)	-
Payments for fringe benefits	(191,726)	(57,033)	(248,759)	(40,446)
Payments to vendors	(438,727)	(3,443,890)	(3,882,617)	(71,343)
Payments for indirect costs	(185,758)	(53,214)	(238,972)	-
Net Cash Provided by Operating Activities	<u>(85,772)</u>	<u>(273,558)</u>	<u>(359,330)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(85,772)	(273,558)	(359,330)	-
Balance - beginning of the year	185,407	497,989	683,396	2,388,554
Balances - end of the year	<u>\$ 99,635</u>	<u>\$ 224,431</u>	<u>\$ 324,066</u>	<u>\$ 2,388,554</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (5,468)	\$ (273,420)	\$ (278,888)	\$ (1,144,662)
Adjustments:				
Depreciation expense	3,418	8,613	12,031	1,203,911
Change in assets and liabilities:				
(Increase) decrease in grants receivable	-	(5,600)	(5,600)	-
(Increase) decrease in payroll receivables	-	-	-	-
(Increase) decrease in prepaid expenditure	-	-	-	-
Increase (decrease) in accounts payable	(1,284)	(4,332)	(3,113)	-
Increase (decrease) in accrued expenses	(82,437)	1,181	(81,256)	(59,249)
Increase (decrease) in deferred revenue	-	-	-	-
Net Cash Provided by Operating Activities	<u>\$ (85,771)</u>	<u>\$ (273,558)</u>	<u>\$ (356,826)</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Public Guardian	HUD Escrow
<u>ASSETS</u>		
Cash and cash equivalents	\$ 350,537	\$ 32,599
Other receivables	42,287	661
Investments, at fair value:		
Investment accounts	987,702	-
Land and buildings	1,123,200	-
Total assets	2,503,726	33,260
 <u>LIABILITIES</u>		
Accounts payable	257	-
Total liabilities	257	-
 <u>NET POSITION</u>		
Held in trust	\$ 2,503,469	\$ 33,260

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Public Guardian	HUD Escrow
<u>ADDITIONS</u>		
Contributions	\$ 299,374	\$ 7,884
Trust account income	534,159	-
Other revenue	7,632	-
Interest	275	2
Total additions	841,440	7,886
<u>DEDUCTIONS</u>		
Distributions	5,122,368	1,345
Living expenses	762,986	-
Forfeit/Moveout	-	9,650
Total deductions	5,885,354	10,995
Net position - beginning of year	7,547,382	36,369
Net position - end of year	\$ 2,503,468	\$ 33,260

See accompanying notes to the financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The Governing Board consists of:

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

The Policy Council consists of:

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

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

Basis of Presentation

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

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

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

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

Accounting Structure and Basis

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

Governmental fund financial statements are reports using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Accounting transactions are tracked according to program activities.

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

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

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

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

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

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

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

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

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

Another of these fiduciary responsibilities is to provide payee supportive services through the SSI Representative Payee program ("SSI Payee"). Although this program was passed 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, Call Center, and HUD HCV Program are charges for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Budgetary Process

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

NOTE 2: RECEIVABLES, DEPOSITS AND INVESTMENTS

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is based upon a credit review of the accounts receivable, past debt experience, current economic conditions and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors and, it is at least reasonably possible that a change in the estimate will occur in the near term. No allowance is necessary for grantor receivables at June 30, 2013. The allowance for uncollectible accounts for other receivables was \$278,851 at June 30, 2013.

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, its policy is to fully collateralize bank deposits in excess of federally insured amounts.

The investments in the General Fund represents 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 and Human Resource Services 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, 2013 were as follows:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Buildings Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,302,956	32,765	(2,693)	2,333,028
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	6,250,765	1,683,895	(559,799)	7,374,861
Total other capital asset at cost	10,027,832	1,716,660	(562,492)	11,182,000
Less accumulated depreciaton for:				
Buildings Total	(276,782)	(39,783)	-	(316,565)
Furniture & Equipment Total	(1,339,164)	(351,762)	1,032	(1,689,894)
Leasehold improvements Total	(198,495)	(9,450)	-	(207,945)
Vehicles Total	(3,457,486)	(989,263)	403,496	(4,043,252)
Total accumulated depreciation	(5,271,927)	(1,390,258)	404,529	(6,257,657)
Other capital assets net	4,755,905	326,401	326,401	4,924,343
Total capital assets	\$ 4,788,519	\$ 326,401	\$ 326,401	\$ 4,956,957

Depreciation expense for the year ended June 30, 2013 was charged to programs/functions as follows:

Governmental activities:	
Administration	\$ 63,229
Aging	8,524
Child development	5,086
Corrections and probation	19,865
Housing and restoration	12,730
Transportation	1,256,549
Workforce development	12,243
Total depreciation - governmental activities	<u>1,378,227</u>
Business-type activities:	
HUD housing choice voucher	8,613
Misdemeanor	3,418
Total depreciation business-type activities	<u>12,032</u>
Total depreciation	<u>\$ 1,390,258</u>

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

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

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

NOTE 6: 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 operating lease payments of \$998,029 in fiscal year 2013. The contingent lease payments for fiscal year 2014 amount to \$996,348.

NOTE 7: 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 8: 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 FY13.

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.

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 9: 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 \$923,545 at June 30, 2013.

Litigation

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

NOTE 10: 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, personal injury liability for vehicle operation, worker's compensation, employer's liability, employee dishonesty; theft of, damage to, or destruction of real and personal property; and personal injury. 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; 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 maximum obligation under the basic health insurance policy is limited to \$417 and \$1,043 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 11: 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.

East Tennessee Human Resource Agency, Inc.
 Schedule of Expenditures by Program
 Governmental Funds
 For the Year Ended June 30, 2013

	General	Aging	ETHRA Aging	Workforce Development	Title V	LHEAP WAP	Transportation Call Center	Community Corrections	Child Care Food	Homeemaker	Mountain Valley	AIDS Support	Total
EXPENDITURES													
Current:													
Salaries	\$ 1,138,153	\$ 1,058,635	\$ 495,200	\$ 1,033,222	\$ 83,608	\$ 211,407	\$ 4,318,972	\$ 1,044,740	\$ 105,044	\$ 267,568	\$ 240,576	\$ 102,578	\$ 10,119,703
Fringe Benefits	289,202	262,590	106,902	262,621	21,738	55,167	976,725	266,708	25,921	67,877	59,911	23,694	2,419,056
Professional Fees	186,496	103,358	48,667	16,259	1,612	8,791	496,624	2,931	1,505	1,151	631	1,214	869,239
Supplies	130,731	8,603	36,929	71,013	744	4,028	24,673	19,633	2,847	6,555	3,768	2,518	312,042
Telephone	40,346	28,963	15,106	95,351	2,844	5,311	206,647	56,869	3,645	9,815	10,899	3,706	479,502
Postage and Freight	4,543	3,085	2,413	9,014	1,829	7,944	2,149	1,951	2,619	70	1,136	1,114	37,867
Equipment Rental & Maintenance	104,412	17,308	11,987	41,603	1,578	6,137	56,759	27,492	2,844	4,475	7,800	1,504	283,899
Printing & Publications	8,993	3,102	2,125	31,306	193	2,142	13,027	2,199	1,115	609	1,201	244	66,256
Travel, Training, Conferences	103,130	113,357	84,706	62,375	2,917	31,569	41,713	99,610	11,648	75,649	24,811	30,374	681,859
Insurance	52,764	13,199	11,455	20,591	1,004	3,904	311,258	36,838	2,656	4,327	4,292	1,130	463,478
Occupancy	128,500	108,335	44,476	522,729	5,151	11,801	138,198	108,164	7,882	17,917	17,180	9,331	1,119,664
Fuel & Maintenance	-	-	-	-	-	-	1,632,405	-	-	-	-	-	1,632,405
Grants & Allocations	-	2,896,211	1,901	120,608	-	-	-	-	948,492	-	-	366,416	4,333,628
Participant	-	2,476,420	257,831	1,145,952	974,129	2,331,653	5,369	8,689	-	-	65,856	370,003	7,635,902
Capital Equipment	-	-	-	-	-	(4,000)	1,595,504	21,791	-	-	-	-	1,613,295
Other	22,698	38,906	11,397	97,684	593	706	32,352	2,250	1,589	1,749	3,494	15,669	229,087
Indirect cost allocation	(2,209,694)	253,993	114,744	250,890	20,074	51,261	1,000,452	110,353	24,619	63,978	56,856	23,302	(238,972)
In-Kind	-	303,598	178,798	-	165,264	-	-	-	-	-	-	-	647,660
Total expenditures	274	7,689,663	1,424,637	3,801,218	1,283,278	2,727,881	10,852,827	1,810,218	1,142,426	521,740	498,411	952,997	32,705,570
OTHER FINANCING SOURCES (USES)													
Transfers - match	(123,915)	-	25,000	-	-	-	-	-	-	98,915	-	-	-
Total other financing sources (uses)	(123,915)	-	25,000	-	-	-	-	-	-	98,915	-	-	-
Total expenditures	\$ (123,641)	\$ 7,689,663	\$ 1,449,637	\$ 3,801,218	\$ 1,283,278	\$ 2,727,881	\$ 10,852,827	\$ 1,810,218	\$ 1,142,426	\$ 620,655	\$ 498,411	\$ 952,997	\$ 32,705,570

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Schedule of Agency Funds
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 16,992
Total assets	<u>\$ 16,992</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 184
Assets held for others	<u>16,808</u>
Total liabilities	<u>\$ 16,992</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, 2013

	<u>Agency Funds</u>
<u>ADDITIONS</u>	
Contributions from employees	\$ <u>1,653</u>
Total additions	\$ <u><u>1,653</u></u>
 <u>DEDUCTIONS</u>	
Payments to State for escheatable funds	\$ <u>1,927</u>
Total deductions	\$ <u><u>1,927</u></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, 2013

	Public Guardian
<u>ADDITIONS</u>	
Client assets transferred	\$ 299,374
Retirement/disability income	353,595
Gain on sale of property	176,311
Other income	7,632
Tax refunds/stimulus payments	4,253
Interest income	275
Total additions	841,440
<u>DEDUCTIONS</u>	
Nursing home/residential care	490,724
Legal	87,663
Living expenses	79,899
Burial expenses	29,362
Medical and dental	24,250
Fees transfer	9,721
Taxes	16,264
Insurance	21,679
Furnishings	1,944
Other expenses	1,480
Distributions to beneficiaries	5,122,368
Total deductions	5,885,354
Net decrease in net assets	(5,043,914)
Net assets - beginning of year	7,547,382
Net assets - end of year	\$ 2,503,468

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2013

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pynts made to State	Balance June 30, 2013
				July 1, 2012					June 30, 2013
* 93.044	GG-13-39694-00	Aging Services - III-B	TN Commission on Aging	\$ 296,615	\$ 1,144,991	\$ (1,304,926)			\$ 136,680
* 93.044	GG-12-35780-00	Aging Services - III-B	TN Commission on Aging	(272,576)	272,576				
* 93.044	GG-13-39694-00	Aging Services - III-B	TN Commission on Aging		(83,791)				(83,791)
* 93.045	GG-13-39694-00	Aging Planning - III-C adm	TN Commission on Aging	227,536	288,800	(325,377)			190,959
* 93.045	GG-12-35780-00	Aging Planning - III-C adm	TN Commission on Aging	(100,800)	100,800				
* 93.045	GG-13-39694-00	Aging Planning - III-C adm	TN Commission on Aging		(23,700)				(23,700)
* 93.045	GG-13-39694-00	Aging Planning - III-C I Con	TN Commission on Aging	66,121	580,553	(609,029)			37,645
* 93.045	GG-12-35780-00	Aging Planning - III-C I Con	TN Commission on Aging	(231,001)	231,001				
* 93.045	GG-13-39694-00	Aging Planning - III-C I Con	TN Commission on Aging		(17,453)				(17,453)
* 93.707	GG-09-28541-00	Aging Planning - III-C I Con ARRA	TN Commission on Aging	(1,420)					(1,420)
* 93.045	GG-13-39694-00	Aging Services - III-C ZHD Nutrition Services	TN Commission on Aging	(65,582)	1,350,856	(1,194,686)			90,588
* 93.045	GG-12-35780-00	Aging Services - III-C ZHD Nutrition Services	TN Commission on Aging	(129,173)	129,173				
* 93.045	GG-13-39694-00	Aging Services - III-C ZHD Nutrition Services	TN Commission on Aging		(135,956)				(135,956)
* 93.043	GG-09-28541-00	Aging Services - III-D In-home Services PH	TN Commission on Aging	(940)					(940)
* 93.043	GG-13-39694-00	Aging Services - III-D In-home Services PH	TN Commission on Aging	49,241	58,700	(92,332)			15,609
* 93.043	GG-12-35780-00	Aging Services - III-D In-home Services	TN Commission on Aging	(15,300)	15,300				
* 93.043	GG-13-39694-00	Aging Services - III-D In-home Services	TN Commission on Aging	21,689	16,000	(10,000)			27,689
* 93.052	GG-12-35780-00	Aging Services - III-D In-home Services	TN Commission on Aging	(8,200)	8,200				
* 93.052	GG-13-39694-00	Aging Services - III-E adn	TN Commission on Aging		54,900	(54,900)			
* 93.052	GG-12-35780-00	Aging Services - III-E Caregiver	TN Commission on Aging	125,507	480,100	(602,665)			2,942
* 93.052	GG-13-39694-00	Aging Services - III-E Caregiver	TN Commission on Aging	(77,335)	77,335				
* 93.041	GG-13-39694-00	Aging Services - III-A Title VII EA	TN Commission on Aging		(52,600)				(52,600)
* 93.041	GG-12-35780-00	Aging Services - III-A Title VII EA	TN Commission on Aging	6,184	13,100	(10,783)			8,501
* 93.042	GG-13-39694-00	Aging Services - III-A Title VII	TN Commission on Aging	(3,764)	3,764				
* 93.042	GG-14-36706-00	Aging Services - SHIP	TN Commission on Aging	345	61,600	(61,945)			
* 93.779	GG-12-39526-00	Aging Services - SHIP	TN Commission on Aging	1,612			(1,391)		221
* 93.053	GG-13-39694-00	Aging Services - USD/NSIP	TN Commission on Aging	(21,132)	84,526	(83,640)			(20,243)
* 93.053	GG-12-35780-00	Aging Services - USD/NSIP	TN Commission on Aging	629	384,900	(384,900)	3		629
* 93.053	GG-13-39694-00	Aging Services - USD/NSIP	TN Commission on Aging	(39,429)	39,429				
* 93.778	GG-13-39694-00	Aging Services - Medicaid Waiver	TennCare		(60,900)				(60,900)
* 93.045	GG-12-35553-00	Aging Services - Medicaid Waiver	TennCare		788,562	(846,842)			(56,280)
* 93.045	GG-13-39694-00	Aging Services - III-E Match	TN Commission on Aging	(69,706)	67,706		2,000		
* 93.045	GG-12-35780-00	Aging Services - III-E Match	TN Commission on Aging		89,000	(89,000)			
* 93.045	GG-13-39694-00	Aging Services - III-E Match	TN Commission on Aging	(13,200)	13,200				
* 93.045	GG-13-39694-00	Senior Centers	TN Commission on Aging		(9,200)				(9,200)
* 93.045	GG-12-35780-00	Senior Centers	TN Commission on Aging	133	231,700	(231,700)			133
* 93.045	GG-13-39694-00	Senior Centers	TN Commission on Aging	(26,400)	26,400				
* 93.045	GG-13-39694-00	State Nutrition	TN Commission on Aging		(32,900)				(32,900)
* 93.045	GG-12-35780-00	State Nutrition	TN Commission on Aging	2	133,200	(133,200)			2
* 93.045	GG-13-39694-00	State Nutrition	TN Commission on Aging	(12,700)	12,700				
* 93.045	GG-13-39694-00	State Homemakers	TN Commission on Aging		(12,200)				(12,200)
* 93.045	GG-12-35780-00	State Homemakers	TN Commission on Aging		71,500	(71,500)			
* 93.045	GG-13-39694-00	State Homemakers	TN Commission on Aging	(6,900)	6,900				
* 93.045	GG-12-35780-00	State Guardianship	TN Commission on Aging		(7,500)				(7,500)
* 93.045	GG-13-39694-00	State Aging - Options	TN Commission on Aging		113,400	(113,400)			
* 93.045	GG-12-35780-00	State Aging - Options	TN Commission on Aging	226,278	1,691,300	(1,875,697)			41,881
* 93.045	GG-13-39694-00	State Aging - Options	TN Commission on Aging	(357,000)	357,000				
* 93.045	GG-12-35780-00	State Aging - Options	TN Commission on Aging		(78,100)				(78,100)
* 93.045	GG-13-39694-00	Aging Services	TN Commission on Aging	(5,674)			5,674		

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2013

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2012	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pynts made to State	Balance June 30, 2013
* 93.051	GG-12-37311-00	AOA -Alzheimer's Innovative	TN Commission on Aging	1,238				(1,257)		1
* 93.051	GG-12-37311-00	AOA -Alzheimer's Innovative	TN Commission on Aging	(3,000)	51,246		(54,879)			(6,633)
* 93.051	GG-12-37311-00	AOA -Alzheimer's Evidence Based	TN Commission on Aging	4,690				(6,819)		(2,129)
* 93.051	GG-12-37311-00	AOA -Alzheimer's Evidence Based	TN Commission on Aging	-	119,796	5,948	(149,297)			(23,553)
* 93.048	GG-11-35350-00	ADRC	TN Commission on Aging	-						-
* 41.15	GG-11-34355	PPACA /MIPPA	TN Commission on Aging	(43,631)	43,631					-
* 93.725	GG-11-32883	Chronic Disease	TN Commission on Aging	(14,664)	14,664					-
* 93.048	GG-12-37862-00	Care Transition	TN Commission on Aging	(211)		376				165
* 93.048	GG-12-37862-00	Care Transition	TN Commission on Aging	-	8,484		(15,456)			(6,972)
		LaFollette Medical Foundation		-	22,000		(22,000)			-
84.002		Career Centers - Adult Ed	TN Department of Labor and Workforce Development	(26,475)	26,475					-
84.002		Career Centers - Adult Ed	TN Department of Labor and Workforce Development	-	86,388		(104,359)			(17,971)
17.207	GG-12-36594	Career Centers - DOL	TN Department of Labor and Workforce Development	(45,251)	45,251					-
17.207		Career Centers - DOL	TN Department of Labor and Workforce Development	-	215,065		(256,607)			(43,542)
17.207		Career Centers - VR	TN Department of Human Services	(3,969)	3,969					-
17.207		Career Centers - WIA Paritners	TN Department of Labor and Workforce Development	-	20,688		(22,827)			(2,139)
17.207		Career Centers - WIA Paritners	TN Department of Labor and Workforce Development	(3,719)	3,719					-
17.235		Career Centers - Pass Thru	TN Department of Labor and Workforce Development	-	10,533		(13,253)			(2,720)
17.235		Career Centers - Pass Thru	TN Department of Labor and Workforce Development	(6,705)	6,705					-
17.259		Career Centers - Jobs for TN Graduates	TN Department of Labor and Workforce Development	-	32,989		(39,182)			(6,193)
17.259		Career Centers - TDVA	TN Department of Labor and Workforce Development	(618)	618					-
17.259		Career Centers - TDVA	TN Department of Labor and Workforce Development	(515)	515					-
17.259		Career Centers - TDVA	TN Department of Labor and Workforce Development	-	5,725		(6,798)			(1,073)
10.558	034760133002	Child Care Centers (CCRP)	TN Department of Human Services	(20,566)	47,698		(33,046)	5,914		-
10.558	034760133002	Child Care Food Program	TN Department of Human Services	(44,880)	127,448		(116,404)	33,836		-
10.558	034760133002	Child Care Centers (CCRP)	TN Department of Human Services	-	75,361	(5,914)	(97,745)			(28,298)
10.558	034760133002	Child Care Food Program	TN Department of Human Services	-	342,612	(33,836)	(349,162)			(40,386)
		Child Protective Services Contracts	Child & Family Services/ETCSA	(10,184)	10,184					-
		Child Protective Services Contracts	Child & Family Services/ETCSA	-	28,102	(150)	(29,617)			(1,665)
	GG 11-32016-00	Community Corrections	TN Board of Probation and Parole	(567,943)	1,967,282		(1,618,803)			(219,464)
	GG-12-35143-00	Community Early Intervention	TN Department of Children's Services	(23,256)	23,180			76		-
	GG-12-35143-00	Community Early Intervention	TN Department of Children's Services	-	94,987	(76)	(142,933)			(48,022)
* 93.569	Z 05-020696-00	Community Services Block Grant-Advance	Mountain Valley EOA	18,107						18,107
* 93.569	Z 12-000113	Community Services Block Grant	Mountain Valley EOA	(98,569)	95,384			3,185		(85,910)
* 93.569	Z 13-49113	Community Services Block Grant	Mountain Valley EOA	-	345,987		(431,897)			-
97.024	28-7616-00	EHS - Anderson	Federal Emergency Management Agency	-	1,868		(1,868)			-
97.024	28-7640-00	EHS - Chalbone	Federal Emergency Management Agency	-	3,060		(3,060)			-
97.024	28-7754-00	EHS - Morgan	Federal Emergency Management Agency	-	9,590		(9,590)			-
		Home Delivered Meals (Medicaid Waiver)		(10,093)	10,093		(7,332)			(7,332)
		Home Delivered Meals (Medicaid Waiver)		-						-

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2013

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2012	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2013
		Homemaker (Medicaid Waiver)		(20)				20		-
93.667	GG 10-28530-00	Homemaker - Adult Protective Services - Advance	TN Department of Human Services	23,544						23,544
93.667	GG 12-37072-00	Homemaker - Adult Protective Services	TN Department of Human Services	(38,556)	38,556					-
93.667	GG 13-49301-00	Homemaker - Adult Protective Services	TN Department of Human Services	-	368,554		(395,662)			(27,108)
*	14.871 A.3858	Housing Assistance Payments Program	US Dept of Housing & Urban Development	-	3,435,032		(3,438,632)			(5,600)
*	14.871 TN 1131V00F02	FSS Housing	US Dept of Housing & Urban Development	-	34,750		(34,750)			-
*	14.239 HTF-08-07	HTF	THDA	-	1,750		(1,750)			-
*	93.568 Z12-000207	Low-Income Energy Assistance Program	TN Department of Human Services	(120,069)	120,069					-
93.568	Z 02-007123-00	Home Modifications	TN Department of Human Services	(16,376)	4,398		(7,400)	11,978		(7,400)
*	93.568 Z12-000207	Low-Income Energy Assistance Program	TN Department of Human Services	-	2,424,592		(2,526,009)			(101,417)
14.241	GR 12-36126-00	HOPWA	TN Department of Health	(39,071)	306,962		(279,898)			(12,007)
93.917	GR 12-36248-00	Provision of HIV Concoria Services	TN Department of Health	(106,150)	506,509		(500,730)			(94,371)
93.940	GG 12-37687-00	Provision of HIV Prevention Services (RAC)	TN Department of Health	(21,540)	118,870		(110,560)	13,230		-
93.940	GG 12-37687-00	Provision of HIV Prevention Services (RAC)	TN Department of Health	-	46,397	(13,230)	(58,763)			(25,596)
*	20.521 Z-09-215661-00	Section 5317 New Freedom (Morristown)	TN Department of Transportation	-	-		(123,013)			(123,013)
*	20.521 Z-09-215670-00	Section 5317 New Freedom (FY07 \$191K)	TN Department of Transportation	-	-		(161,561)			(161,561)
* 20.516	Z-09-215688-00	Job Access Capital - Morristown (\$126K)	TN Department of Transportation	-	-		(125,746)			(125,746)
* 20.509	GG-10-33314-00	Section 5309 Capital (\$1,571K)	TN Department of Transportation	-	-		(19,130)			(19,130)
* 20.509	GG-11-33568-00	Section 5317 New Freedom (capital & program)	TN Department of Transportation	-	-		(123,470)			(123,470)
* 20.500	GG-11-346523-00	Section 5309 Capital (\$361K)	TN Department of Transportation	-	-		(241,560)			(241,560)
* 20.521	Z-12-NF001-00	Section 5317 New Freedom (FY11 \$389K)	TN Department of Transportation	-	-		(268,106)			(268,106)
* 20.500	GG-12-39124-00	Section 5309 Capital (\$11.9K)	TN Department of Transportation	-	-		(11,934)			(11,934)
* 20.516	GG-12-38669-00	Job Access FY11 \$347K	TN Department of Transportation	-	-		(99,237)			(99,237)
* 20.500	GG-08-26124-02	Section 5309 Discretionary Capital	TN Department of Transportation	-	105,715		(105,715)			-
* 20.509	Z-09-219908-00	Transportation - ARRA - Capital	TN Department of Transportation	-	197,844		(197,844)			-
* 20.521	Z-09-215669-01	Section 5317 New Freedom (\$165K)	TN Department of Transportation	(43,901)	89,363		(66,059)			(20,597)
* 20.509	GG-12-36113-01	Section 5311 Rural Transportation - Federal	TN Department of Transportation	(458,993)	458,993		(3,146,951)			(3,146,951)
* 20.516	Z-09-215700-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation	-	2,759,067		(184,978)			(26,533)
* 20.516	GG-11-34173-00	Job Access - FY07 \$35K	TN Department of Transportation	(19,259)	177,704		(7,674)			(7,674)
NA	GG-12-37586-00	Job Access - FY 2010	TN Department of Transportation	-	-		(8,224)			(8,224)
NA	GG-13-34950-00	BOPP	TN Department of Transportation	(3,957)	3,957		(899)			(1,890)
NA	GG-12-37587-00	BOPP	TN Department of Transportation	-	6,334		(99)			-
NA	GG-12-37587-00	TEIS	TN Department of Transportation	(110,444)	99		(312,085)	110,444		(201,756)
NA	GG-12-37587-00	Lakeway Transit	Lakeway Transit	-	220,773	(110,444)				
NA	GG-12-37587-00	Lakeway Transit	Lakeway Transit	-	-					
NA	GG-12-37587-00	Oak Ridge Transit	City of Oak Ridge	(24,857)	-					
NA	GG-12-37587-00	Oak Ridge Transit	City of Oak Ridge	-	140,513	(24,856)	(145,151)			(20,494)
10.559	30018	Summer Food Service Program	TN Department of Human Services	(331,171)	442,432	(129)	(111,132)	129		(278,672)
10.559	30018	Summer Food Service Program	TN Department of Human Services	-	-		(278,801)			(278,801)
10.568	83265	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture	(20,972)	22,720		(1,748)			-
10.568	83265	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture	-	19,119		(38,999)			(19,880)

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2013

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2012	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2013
* 17.235	GG-12-35236-01	Title V - SCSEP	TN Department of Labor and Workforce Development	(17,990)	17,091	(1)				
* 17.235	GG-13-39104-00	Title V - SCSEP	TN Department of Labor and Workforce Development	-	312,600		(312,600)			
17.235	312	SSAI Senior Employment	Senior Service America Inc	(120,802)	120,802					
17.235	312	SSAI Senior Employment	Senior Service America Inc	-	623,009		(805,415)			(182,406)
-	N/A	Petway Foundation	Jane L. Petway Foundation	-	-					
* 81.042	Z.12-000406-00	Weatherization Assistance	TN Department of Human Services	(132,065)	130,819			1,246		
* 81.042	WAP-12-05	Weatherization Assistance	TN Department of Human Services	-	-		(54,464)			(54,464)
* 17.259	GG-12-35235	Workforce Investment Act (work keys)	TN Department of Labor and Workforce Development	(13,435)	13,429				(15,925)	(6)
* 17.258	LW04F121YOUTH13	Workforce Investment Act	TN Department of Labor and Workforce Development	-	402,422		(689,178)			(286,756)
* 17.278	LW04F11ADULT13	Workforce Investment Act	TN Department of Labor and Workforce Development	-	594,257		(741,557)			(147,300)
* 17.259	LW04F11YOUTH12	Workforce Investment Act	TN Department of Labor and Workforce Development	-	359,298		(471,025)			(111,727)
* 17.258	LW04F11ADULT12	Workforce Investment Act	TN Department of Labor and Workforce Development	-	612,859		(612,859)			-
* 17.278	LW04F121DLSLWK12	Workforce Investment Act	TN Department of Labor and Workforce Development	-	263,654		(263,654)			-
* 17.260	LW39ST91DWNREG09	Workforce Investment Act	TN Department of Labor and Workforce Development	-	181,476		(181,476)			-
* 17.278	LW39F121WRSPI2	Workforce Investment Act	TN Department of Labor and Workforce Development	-	24,334		(8,220)		(16,114)	-
* 17.258	LW04F11ADULT13	Workforce Investment Act	TN Department of Labor and Workforce Development	-	64,513		(64,513)			-
* 17.278	LW04F121DLSLWK13	Workforce Investment Act	TN Department of Labor and Workforce Development	-	86,698		(86,698)			-
* 17.278	LW39F131WRSPI3	Workforce Investment Act	TN Department of Labor and Workforce Development	-	130,530		(130,530)			-
* 17.278	LW39F131WRSPI3	Workforce Investment Act	TN Department of Labor and Workforce Development	-	25,000		(25,000)			-
Totals				\$ (2,945,718)	\$ 28,396,032	\$ (180,312)	\$ (29,187,272)	\$ 203,125	\$ (32,039)	\$ (3,746,184)

*Major Federal Assistance Program

(1) Represents amounts due from grantees and contracts

(2) Represents advances from grantees

(3) Represents unearned grantor revenue

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 SCHEDULE OF NON-CASH ASSISTANCE (1)
 FOR THE YEAR ENDED JUNE 30, 2013

CFDA #	GRANT #	PROGRAM NAME	GRANTOR AGENCY	Balance 7/1/2012	Receipts	Transfers In	Other Additions	Commodities Distributed	Transfers Out	Other Deductions	Balance 6/30/2013
10.550	32501-02011	Emergency Food Distribution Program	Tennessee Department of Agriculture	\$ 47,776	\$ 14,181	\$ -	\$ -	\$ 44,625	\$ 5,547 (2)	\$ 1,453 (3)	
10.550	33265-28306	Emergency Food Distribution Program	Tennessee Department of Agriculture	\$ -	\$ 266,657	\$ -	\$ 2,459 (4)	\$ 201,039	\$ -	\$ 347 (3)	\$ 78,062
				<u>\$ 47,776</u>	<u>\$ 280,838</u>	<u>\$ -</u>	<u>\$ 2,459</u>	<u>\$ 245,664</u>	<u>\$ 5,547</u>	<u>\$ 1,800</u>	<u>\$ 78,062</u>

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

- (1) This schedule represents the fair value of noncash assistance based on per unit commodities values provided by the Tennessee Department of Agriculture.
- (2) This amount includes a change in the USDA values for commodities on hand as of 6/30/2013.
- (3) This amount represents lost and damaged commodities.
- (4) This amount represents a reconciliation between physical inventory and book inventory done March 2013

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 40,747
Passed through Tennessee Department of Human Services: Child and Adult Care Food Program	10.558	596,357
Summer Food Service Program for Children	10.559	389,932
		<u>1,027,036</u>
U.S. Department of Housing and Urban Development:		
Section 8 Rental Voucher Program	14.871	3,473,382
Passed through Tennessee Department of Health: Housing Opportunities for Persons with Aids	14.241	279,898
Passed through Tennessee Housing Development Authority Home Investment Partnerships Program	14.239	1,750
		<u>3,755,030</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	292,687
Career Centers-Pass Thru	17.235	39,182
Senior Community Service Employment-State	17.235	312,600
Senior Community Service Employment-SSAI	17.235	805,415
Workforce Investment Act Adult Program	17.258	1,091,909
Workforce Investment Act Youth Activities	17.259	1,302,038
Workforce Investment Act Dislocated Workers	17.260	8,220
Workforce Investment Act Dislocated Worker Formula	17.278	872,543
		<u>4,724,594</u>
U.S. Department of Transportation:		
Passed through Tennessee Department of Transportation: Federal Transit Capital Investment Grants	20.500	359,209
Formula Grants for Other Than Urbanized Areas	20.509	3,487,395
Job Access Reverse Commute	20.516	417,635
New Freedom Program	20.521	618,740
		<u>4,882,979</u>
U.S. Department of Energy:		
Weatherization Assistance for Low-income Persons		
Weatherization Assistance for Low-income Persons	81.042	54,464
		<u>54,464</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	104,359
		<u>104,359</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	14,518
		<u>14,518</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass-through Agency/Program Title	CFDA Number	
U.S. Department of Health and Human Services:		
Passed through Tennessee Commission on Aging:		
Special Programs for the Aging, Title VII, Chapter 3	93.041	10,783
Special Programs for the Aging, Title VII, Chapter 2	93.042	61,945
Special Programs for the Aging, Title III, Part D	93.043	102,332
Special Programs for the Aging, Title III, Part B	93.044	1,304,926
Special Programs for the Aging, Title III, Part C	93.045	2,218,091
Special Programs for the Aging, Title IV and Title III	93.048	15,456
Alzheimer's Disease Demonstration Grants	93.051	-
National Caregiver Support, Title III, Part E	93.052	657,565
Alzheimer's Disease Demonstration Grants	93.051	204,176
Nutritional Services Incentive Program	93.053	384,900
Chronic Disease Management Program	93.725	-
		<u>4,960,174</u>
Passed through Tennessee Department of Human Services:		
Low Income Heating and Energy Assistance Program	93.568	2,533,409
Community Services Block Grant	93.569	431,897
Social Services Block Grant	93.667	395,662
		<u>3,360,968</u>
Passed through Tennessee Department of Health:		
HIV Care Formula Grants - Consortia Services	93.917	500,730
HIV Prevention Activities	93.940	169,323
		<u>670,053</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	83,640
PPACA / MIPPA	93.779	-
		<u>83,640</u>
Passed through TennCare		
Medical Assistance Program	93.778	846,842
		<u>846,842</u>
Total Federal		<u>24,484,657</u>
State and Local Grants:		
Child Protective Services	N/A	29,617
Community Corrections	N/A	1,618,803
Community Intervention Services	N/A	142,933
Home Delivered Meals (Medicaid Waiver)	N/A	7,332
Homemaker (Medicaid Waiver)	N/A	-
Senior Centers	N/A	231,700
State Guardianship	N/A	113,400
State Homemaker	N/A	71,500
State Nutrition	N/A	127,803
State Aging - Options	N/A	1,875,697
Lakeway Transit	N/A	312,085
Oak Ridge Transit	N/A	145,151
Transportation BOPP	N/A	8,224
Transportation TEIS	N/A	99
LaFollette Medical Foundation	N/A	22,000

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

<u>Federal/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	
Workforce Investment Act (work keys)	N/A	(15,925)
Career Centers - TDVA	N/A	6,798
Total State and Local		<u>4,697,217</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with Generally Accepted Accounting Principles

\$ 29,181,874

**East Tennessee Human Resource Agency, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013**

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	\$875,456
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, 2013

Dollar threshold used to distinguish between Type A and Type B programs	\$875,456
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ETHRA's internal control over financing reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes 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. Accordingly, we do not express an opinion on the effectiveness of ETHRA's internal control.

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

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

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*.

Purpose of this Report

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

Craige Thompson & Jones, P.C.

Morristown, Tennessee
November 8, 2013

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
East Tennessee Human Resource Agency, Inc.

Report on Compliance for Each Major Federal Program

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, 2013. ETHRA'S major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ETHRA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of ETHRA's compliance.

Opinion on Each Major Federal Program

In our opinion, ETHRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of ETHRA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, 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 that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results based on the requirements of OMB Circular A-133. Accordingly, this report is no suitable for any other purpose.

Craig Thompson & Jones, P.C.

Morristown, Tennessee
November 8, 2013