

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Financial Statements
and Supplementary Information

Year Ended June 30, 2021



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Financial Statements
and Supplementary Information
Year Ended June 30, 2021

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INTRODUCTORY SECTION (UNAUDITED)



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Gary Holiway, Executive Director
Board of Directors and Policy Council
Year Ended June 30, 2021

Anderson County

- * County Mayor Terry Frank
Mayor Scott Burton
Mayor Tim Sharp
Mayor Chris Mitchell
Mayor Warren Gooch
Mr. Andy Wallace
- ** Ms. Cherie Phillips

Blount County

- * County Mayor Ed Mitchell
Mayor Michael Talley
Mayor Andy White
Mayor Tom Bickers
Mayor Odis Abbott, Jr.
Mayor Carl Koella
Mayor Andy Lawhorn
- ** Ms. Tammy Pirie
Mr. Bryan Daniels

Campbell County

- * County Mayor E.L. Morton
Mayor Dwight Osborn
Mayor Mike Stanfield
Mayor Robert Stooksberry
Mayor June Forstner
- ** Mr. Greg Leach
Mr. Andy Wallace

Claiborne County

- *+ Mayor Joe Brooks,
Secretary
Ms. Robin Ruiz
Mayor Neil Pucciarelli
Mayor Linda Fultz
Mayor Jerry Beeler
Mayor Bill Fannon
- ** Ms. Anna Beth Walker

Cocke County

- * County Mayor Crystal Ottinger
Mayor DeWayne Daniel
- *+ Mayor Roland Trey Dykes,
Chair
Mr. Tommy Bible
- ** Ms. Lynn Ramsey

General Assembly

Senator Richard Briggs
Representative Kent Calfee

Grainger County

- * County Mayor Mike Byrd
Mayor Ben Waller
Mayor Marvin Braden
Mayor Fred Sykes
Mr. David Lietzke
- ** Ms. Jerri Etta Bishop

Hamblen County

- * County Mayor Bill Brittain
Mayor Gary Chesney
Mr. Marshall Ramsey

Jefferson County

- *+ County Mayor Mark Potts, Vice
Mayor Donna Hernandez
Mayor George Gantte
Mayor Mitch Cain
Mayor Danny Whillock
Mayor Fred Taylor
Ms. Leann Sutton
- ** Ms. Ronda Davis

Knox County

- County Mayor Glenn Jacobs
Mayor Ron Williams
Mayor Indya Kincannon
- ** Ms. Windie Wilson
** Ms. Jane Jolly

Loudon County

- * County Mayor Buddy Bradshaw
Mayor Dewayne Birchfield
Mayor Tony Aikens
Mayor Jeff Harris
Mayor Chris Miller
- ** Mr. Jack Qualls

Monroe County

- County Mayor Mitch Ingram
Mayor Gus Davis
Mayor Doyle Lowe
Mayor Marilyn Parker
Mayor Bob Lovingood
- * Ms. Blaina Tallent Best
- ** Ms. Stacy Chambers

Morgan County

- * County Executive Brian Langley
Mayor Jonathan Dagley
Mayor Buddy Miller
Mayor Karen Melton
- * Ms. Sharon Heidel

Roane County

- *+ County Executive Ron Woody
Mayor Wayne Best
Mayor Tim Neal
Mayor Omer Cox
Mayor Mike Miller
- ** Mr. Jerry Johnson
Ms. Pam Witcher-May

Scott County

- * County Mayor Jeff Tibbals,
Treasurer
Mayor Dennis Jeffers
Mayor Jack Lay
Mayor Jerry Dodson
Mr. David Cross
- ** Mr. Ron Keeton

Sevier County

- * County Mayor Larry Waters
Mayor Mike Werner
Mayor David Wear
Mayor Jerry Huskey
Mayor Robbie Fox
Ms. Earlene Teaster
- ** Ms. Jane Howes

Union County

- * County Mayor Jason Bailey
- * Mayor Ty Blakely
Mayor Jerry Lawson
Mayor Gary Chandler
Mr. Randy Turner

Key

- * Policy Council and Governing Board
- ** Policy Council Only
- + Audit Committee

FINANCIAL SECTION



Independent Auditors' 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"), as of and for the year ended June 30, 2021, 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.

Auditors' 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 auditors' judgment, including the assessment of the 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 ETHRA'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 ETHRA'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 opinion.

Opinion

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, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then 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 on pages 4 through 7 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 and the supplementary information as listed in the table of contents 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 and state grants is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, the schedule of expenditures of federal awards, and other financial information 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 December 22, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ETHRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ETHRA's internal control over financial reporting and compliance.

Roderic Moss & Co, PLLC

Knoxville, Tennessee
December 22, 2021

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis
Year Ended June 30, 2021

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, 2021. ETHRA's financial performance is presented and analyzed within the context of the accompanying financial statements with appropriate disclosures, following this section.

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 Net Position
 - iii. Statement of Cash Flows
4. Fiduciary Fund financial statements
 - i. Statement of Net Position
 - ii. Statement of Changes in Net Position

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 some capital assets as completely expended to grants when purchased, while the majority of the assets are tracked in the Internal Service Funds, which allows for the tracking of depreciation. By separating capital from operations, a clearer picture of operations can be reported. 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 are removed to prevent duplicate measurement. The effects of this change are reconciled on the governmental fund financial statements.

The governmental fund financial statements combine General Fund and Human Resource Services Fund operations. Governmental fund 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 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 ETHRA is designed to deliver human resource services.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis (Continued)

The Proprietary Fund financial statements present all business-like activities. ETHRA operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, House and Urban Development ("HUD") Housing Choice Voucher ("HCV") Program, which administers housing vouchers to eligible people for rental assistance, and Transportation Enterprise, which includes fixed contracts for transportation services. These activities are reported as business-like activities for the year ended June 30, 2021.

ETHRA has four Internal Service Funds. These funds are used to track the major equipment in transportation including the sales of vehicles and fringe benefits for all ETHRA employees. There is also a vehicle pool, where vehicles are used by all programs and mileage rate is charged to the programs.

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



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis (Continued)

Analysis of Financial Position

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>
Assets			
Cash and cash equivalents and investments	\$ 8,211,545	\$ 4,370,629	\$ 3,840,916
Capital assets (net of accumulated depreciation)	2,972,375	3,660,504	(688,129)
Receivables from grantors, contractors, and others	8,984,485	9,960,265	(975,780)
Prepaid expenses and deposits	298,553	479,785	(181,232)
Total Assets	<u>20,466,958</u>	<u>18,471,183</u>	<u>1,995,775</u>
Liabilities			
Accounts payable	3,349,229	3,183,867	165,362
Accrued expenses	4,516,474	3,726,650	789,824
Total Liabilities	<u>7,865,703</u>	<u>6,910,517</u>	<u>955,186</u>
Net Position			
Investment in capital assets	2,972,375	3,660,504	(688,129)
Restricted net position	6,310,185	5,816,250	493,935
Unrestricted net position	3,318,695	2,083,912	1,234,783
Total Net Position	<u>\$ 12,601,255</u>	<u>\$ 11,560,666</u>	<u>\$ 1,040,589</u>
Revenues			
Operating grants and contributions	\$ 40,048,091	\$ 38,121,784	\$ 1,926,307
Charges for services	8,029,742	8,583,340	(553,598)
Assessment to local governments	261,490	267,490	(6,000)
Total Revenues	<u>48,339,323</u>	<u>46,972,614</u>	<u>1,366,709</u>
Expenses			
General government	(111,635)	15,324	(126,959)
Aging	10,496,624	8,340,144	2,156,480
ETHRA aging	1,570,877	1,087,395	483,482
Transportation	9,932,828	10,631,914	(699,086)
Workforce development	8,161,990	7,454,252	707,738
Housing and restoration	4,588,894	3,115,499	1,473,395
Title V	1,055,693	1,105,925	(50,232)
Corrections and probation	1,820,883	1,834,627	(13,744)
Child and family assistance	3,986,806	4,922,565	(935,759)
Homemaker	387,890	474,333	(86,443)
Mountain Valley	564,768	452,748	112,020
Loan	(1,339)	58	(1,397)
Misdemeanor	1,019,668	1,377,970	(358,302)
Transportation Enterprise	125,803	135,568	(9,765)
HUD Housing Choice Voucher	3,698,935	3,676,059	22,876
Total Expenses	<u>47,298,685</u>	<u>44,624,381</u>	<u>2,674,304</u>
Transfers	(49)	(5)	(44)
Change in Net Position	<u>\$ 1,040,589</u>	<u>\$ 2,348,228</u>	<u>\$ (1,307,639)</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis (Continued)

In addition to the issue of reimbursement, many grants and contracts require a cash match as a condition of 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 2021, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Program Highlights

ETHRA received grants with various agencies of the State of Tennessee and other grantors for additional CARES / COVID funding for several programs. A few of the CARES / COVID grant activity received in fiscal year 2020 were extended through fiscal year 2022. These grants are tracked and reported on separate lines on the Grant Schedule.

ETHRA Transportation Program had a surplus of \$1,515,617 due to CARES funding. Typical funding requires a cash match. However, for the CARES funding this requirement was lifted and there was no cash match. The CARES grants were extended through June 30, 2022. Transportation is expected to continue a positive fund balance in FY22.

A few programs; mobile meals, senior centers, and office on aging, continue to suffer from reduced revenues and rising expenses, which is negatively impacting the delivery of these services. There are ongoing discussions about increasing revenues and reducing costs to maintain the financial stability of the affected programs.

Economic Factors and Next Fiscal Year

ETHRA contracts primarily with agencies within the State of Tennessee. 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 discussions in Washington. As a result, ETHRA's overall operations are expected to decrease slightly

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.



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

June 30, 2021

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,525,333	\$ 660,856	\$ 8,186,189
Investments	25,356	-	25,356
Receivables, net of allowance for uncollectible accounts	8,504,949	31,169	8,536,118
Loans receivable	448,367	-	448,367
Deposits	10,244	-	10,244
Prepaid expenditures	288,290	19	288,309
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	634,646	-	634,646
Furniture and equipment	85,730	-	85,730
Vehicles	2,176,800	42,585	2,219,385
Total capital assets, net	2,929,790	42,585	2,972,375
Total assets	<u>\$ 19,732,329</u>	<u>\$ 734,629</u>	<u>\$ 20,466,958</u>
Liabilities			
Accounts payable	\$ 3,334,400	\$ 14,829	\$ 3,349,229
Accrued expenses	4,449,824	66,650	4,516,474
Total liabilities	7,784,224	81,479	7,865,703
Net Position			
Investment in capital assets	2,929,790	42,585	2,972,375
Restricted for:			
THDA - House Loan	1,187,447	-	1,187,447
MVEOA	229,060	-	229,060
East Tennessee Foundation Investment	25,356	-	25,356
Human Resource Services	4,868,322	-	4,868,322
Unrestricted	2,708,130	610,565	3,318,695
Total net position	<u>\$ 11,948,105</u>	<u>\$ 653,150</u>	<u>\$ 12,601,255</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
	Direct	Indirect	Charges for Services	Operating Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General government	\$ 2,226,222	\$ (2,337,857)	\$ -	\$ (270,774)	\$ (159,139)	\$ -	\$ (159,139)
Aging	10,071,940	424,684	67,063	11,392,160	962,599	-	962,599
ETHRA Aging	1,458,860	112,017	407,444	93,912	(1,069,521)	-	(1,069,521)
Transportation	8,776,817	1,156,011	2,410,230	8,341,347	818,749	-	818,749
Workforce development	8,063,118	98,872	158,700	7,930,160	(73,130)	-	(73,130)
Housing and restoration	4,526,362	62,532	-	4,591,764	2,870	-	2,870
Title V	1,041,347	14,346	-	1,055,692	(1)	-	(1)
Corrections and probation	1,700,839	120,044	66,406	1,702,465	(52,012)	-	(52,012)
Child and Family Assistance	3,947,136	39,670	-	4,246,271	259,465	-	259,465
Homemaker	357,048	30,842	-	371,195	(16,695)	-	(16,695)
Mountain Valley	518,612	46,156	-	565,029	261	-	261
Loan	(1,339)	-	-	28,870	30,209	-	30,209
Total governmental activities	<u>42,686,962</u>	<u>(232,683)</u>	<u>3,109,843</u>	<u>40,048,091</u>	<u>703,655</u>	<u>-</u>	<u>703,655</u>
Business-type activities							
Misdemeanor	864,418	155,250	1,060,451	-	-	40,783	40,783
Transportation Enterprise	110,948	14,855	172,844	-	-	47,041	47,041
HUD Housing Choice Voucher	3,636,357	62,578	3,686,604	-	-	(12,331)	(12,331)
Total business-type activities	<u>4,611,723</u>	<u>232,683</u>	<u>4,919,899</u>	<u>-</u>	<u>-</u>	<u>75,493</u>	<u>75,493</u>
Total primary government	<u>\$ 47,298,685</u>	<u>\$ -</u>	<u>\$ 8,029,742</u>	<u>\$ 40,048,091</u>	<u>703,655</u>	<u>75,493</u>	<u>779,148</u>
General revenues							
Assessment to local governments					261,490	-	261,490
Transfers					(137)	88	(49)
Total general revenues					<u>261,353</u>	<u>88</u>	<u>261,441</u>
Change in net position					965,008	75,581	1,040,589
Net position - beginning					<u>10,983,097</u>	<u>577,569</u>	<u>11,560,666</u>
Net position - ending					<u>\$ 11,948,105</u>	<u>\$ 653,150</u>	<u>\$ 12,601,255</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Balance Sheet
 Governmental Funds
 June 30, 2021

	General	Human Resource Service	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,504,209	\$ 1,299,442	\$ 2,803,651
Investments	25,356	-	25,356
Grant and contract receivables, net of allowance for uncollectible	-	8,504,949	8,504,949
Loans receivable	-	448,367	448,367
Deposits	5,744	4,500	10,244
Prepaid expenditures	1,398	133,668	135,066
	<u>\$ 1,536,707</u>	<u>\$ 10,390,926</u>	<u>\$ 11,927,633</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 88,586	\$ 3,242,115	\$ 3,330,701
Accrued expenses	625	208,498	209,123
	<u>89,211</u>	<u>3,450,613</u>	<u>3,539,824</u>
Fund balances			
Nonspendable	7,142	-	7,142
Restricted	25,356	6,940,313	6,965,669
Unassigned	1,414,998	-	1,414,998
	<u>1,447,496</u>	<u>6,940,313</u>	<u>8,387,809</u>
	<u>\$ 1,536,707</u>	<u>\$ 10,390,926</u>	<u>\$ 11,927,633</u>

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 \$7,872,247.

\$ 2,929,790

The Internal Service Fund is used by management to charge major equipment purchases and fringe benefits for all ETHRA employees. The assets and liabilities of the Internal Service fund are included in Governmental Activities in the Government-Wide Statement of Net Position.

630,506

Net position of governmental activities

\$ 11,948,105

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2021

	General	Human Resource Service	Total Governmental Funds
Revenues			
Grantor contributions	\$ 4,527	\$ 39,648,867	\$ 39,653,394
Program income	-	3,003,760	3,003,760
USDA	-	382,000	382,000
Assessments to local governments	261,490	41,130	302,620
In-kind contributions	-	229,446	229,446
Other income	9,172	94,619	103,791
Interest income	-	28,886	28,886
Total revenues	<u>275,189</u>	<u>43,428,708</u>	<u>43,703,897</u>
Expenditures			
Current			
General government	146,750	-	146,750
Aging	-	10,496,624	10,496,624
ETHRA Aging	-	1,633,389	1,633,389
Workforce Development	-	8,161,990	8,161,990
Title V	-	1,055,693	1,055,693
LIHEAP WAP	-	4,588,894	4,588,894
Transportation Call Center	-	9,263,080	9,263,080
Community Corrections	-	1,820,883	1,820,883
Child Care Food	-	3,986,806	3,986,806
Homemaker	-	387,890	387,890
Mountain Valley	-	560,496	560,496
Loan Program	-	(1,339)	(1,339)
Total expenditures	<u>146,750</u>	<u>41,954,406</u>	<u>42,101,156</u>
Excess of revenues over expenditures	<u>128,439</u>	<u>1,474,302</u>	<u>1,602,741</u>
Other Financing (Uses) Sources			
Transfers in - match	(141,869)	-	(141,869)
Transfers out - match	-	83,704	83,704
Total other financing (uses) sources	<u>(141,869)</u>	<u>83,704</u>	<u>(58,165)</u>
Net change in fund balances	<u>(13,430)</u>	<u>1,558,006</u>	<u>1,544,576</u>
Fund balances at beginning of year	<u>1,460,926</u>	<u>5,382,307</u>	<u>6,843,233</u>
Fund balances at end of year	<u>\$ 1,447,496</u>	<u>\$ 6,940,313</u>	<u>\$ 8,387,809</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ 1,544,576

Amounts reported for governmental activities in the statement of activities are different because of the following:

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

Depreciation expense	(1,047,552)
Capital assets purchases capitalized	442,049
Changes in net position of internal service funds	<u>25,935</u>

Change in net position of governmental activities \$ 965,008

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Net Position
Proprietary Funds
June 30, 2021

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>Transportation Enterprise</u>	<u>Total</u>	<u>Governmental Activities</u>
					<u>Internal Service Funds</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 68,324	\$ 415,531	\$ 177,001	\$ 660,856	\$ 4,721,682
Accounts receivable	-	852	30,317	31,169	-
Prepaid expenditures	19	-	-	19	153,224
Total current assets	<u>68,343</u>	<u>416,383</u>	<u>207,318</u>	<u>692,044</u>	<u>4,874,906</u>
Noncurrent Assets					
Capital assets					
Vehicles, net	-	42,585	-	42,585	1,091,258
Total noncurrent assets	<u>-</u>	<u>42,585</u>	<u>-</u>	<u>42,585</u>	<u>1,091,258</u>
Total assets	<u>\$ 68,343</u>	<u>\$ 458,968</u>	<u>\$ 207,318</u>	<u>\$ 734,629</u>	<u>\$ 5,966,164</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 5,055	\$ 9,763	\$ 11	\$ 14,829	\$ 3,699
Accrued expenses	-	66,650	-	66,650	4,240,701
Total current liabilities	<u>5,055</u>	<u>76,413</u>	<u>11</u>	<u>81,479</u>	<u>4,244,400</u>
Net Position					
Investment in capital assets	-	42,585	-	42,585	1,091,258
Unrestricted net position	63,288	339,970	207,307	610,565	630,506
Total net position	<u>\$ 63,288</u>	<u>\$ 382,555</u>	<u>\$ 207,307</u>	<u>\$ 653,150</u>	<u>\$ 1,721,764</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2021

			Transportation		Governmental Activities
	Misdemeanor	HUD HCV	Enterprise	Total	Internal Service Funds
Operating Revenues					
Grantor contributions	\$ -	\$ 3,673,992	\$ -	\$ 3,673,992	\$ -
Program income	1,060,236	-	172,844	1,233,080	-
Other revenue (expense)	215	12,612	-	12,827	(284,473)
Total operating revenues, net	<u>1,060,451</u>	<u>3,686,604</u>	<u>172,844</u>	<u>4,919,899</u>	<u>(284,473)</u>
Operating Expenses					
Salaries	436,504	244,616	56,380	737,500	81,854
Fringe benefits	184,063	75,686	18,125	277,874	(473,376)
Grant and program costs	-	3,225,834	-	3,225,834	-
Occupancy	107,398	23,770	395	131,563	-
Consultants and contracted services	3,441	4,244	158	7,843	-
Gasoline	-	-	8,837	8,837	16,942
Telephone	39,302	5,964	-	45,266	-
Training and conferences	5,632	-	-	5,632	-
Travel	26,067	4,380	-	30,447	-
Supplies	6,836	8,146	333	15,315	-
Insurance and bonding	13,238	7,028	6,678	26,944	22,551
Maintenance and repairs	7,918	12,068	-	19,986	21,035
Rentals	7,965	6,926	-	14,891	-
Depreciation	-	8,136	20,041	28,177	122,582
Postage and freight	5,325	6,282	-	11,607	-
Printing	8,017	1,161	1	9,179	-
Other expenses	12,712	2,116	-	14,828	20
Indirect cost allocation	155,250	62,578	14,855	232,683	-
Total operating expenses	<u>1,019,668</u>	<u>3,698,935</u>	<u>125,803</u>	<u>4,844,406</u>	<u>(208,392)</u>
Operating income/(loss)	40,783	(12,331)	47,041	75,493	(76,081)
Transfers out	<u>88</u>	<u>-</u>	<u>-</u>	<u>88</u>	<u>102,016</u>
Change in net position	40,871	(12,331)	47,041	75,581	25,935
Total net position - beginning	<u>22,417</u>	<u>394,886</u>	<u>160,266</u>	<u>577,569</u>	<u>1,695,829</u>
Total net position - ending	<u>\$ 63,288</u>	<u>\$ 382,555</u>	<u>\$ 207,307</u>	<u>\$ 653,150</u>	<u>\$ 1,721,764</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Misdeemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities					
Cash received from supervision fees	\$ 1,060,236	\$ -	\$ -	\$ 1,060,236	\$ -
Cash received from fees	-	-	163,312	163,312	171,813
Cash received from grants	-	3,674,880	-	3,674,880	-
Cash received from other revenue	77	12,612	-	12,689	(284,473)
Cash received from interest	138	-	-	138	-
Payments to employees	(436,504)	(244,616)	(56,380)	(737,500)	(81,854)
Payments for fringe benefits	(184,063)	(75,686)	(18,125)	(277,874)	473,376
Payments to vendors	(247,481)	(3,239,245)	(16,404)	(3,503,130)	410,742
Payments for indirect costs	(155,250)	(62,578)	(14,855)	(232,683)	-
Cash flows from operating activities	<u>37,153</u>	<u>65,367</u>	<u>57,548</u>	<u>160,068</u>	<u>689,604</u>
Cash Flows from Investing Activities					
Transfers to other funds	88	-	-	88	102,016
Cash flows from investing activities	<u>88</u>	<u>-</u>	<u>-</u>	<u>88</u>	<u>102,016</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of capital assets	-	-	-	-	9,447
Acquisition of capital assets	-	(36,263)	-	(36,263)	(30,328)
Cash flows from capital and related financing activities	<u>-</u>	<u>(36,263)</u>	<u>-</u>	<u>(36,263)</u>	<u>(20,881)</u>
Net Change in Cash and Cash Equivalents	37,241	29,104	57,548	123,893	770,739
Balance - beginning of the year	31,083	386,427	119,453	536,963	3,950,943
Balances - end of the year	<u>\$ 68,324</u>	<u>\$ 415,531</u>	<u>\$ 177,001</u>	<u>\$ 660,856</u>	<u>\$ 4,721,682</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating income (loss)	\$ 40,783	\$ (12,331)	\$ 47,041	\$ 75,493	\$ (76,081)
Adjustments					
Depreciation expense	-	8,136	20,041	28,177	122,582
Gain on disposal of capital assets	-	-	-	-	(10,989)
Change in assets and liabilities:					
Increase (decrease) in accounts receivable	-	888	(9,532)	(8,644)	-
(Increase) decrease in prepaid expenditure	(19)	-	-	(19)	171,813
Increase (decrease) in accounts payable and accrued expenses	(3,611)	68,674	(2)	65,061	482,282
Net cash flows from operating activities	<u>\$ 37,153</u>	<u>\$ 65,367</u>	<u>\$ 57,548</u>	<u>\$ 160,068</u>	<u>\$ 689,607</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Net Position
Fiduciary Funds
June 30, 2021

	Public Guardian	HUD Escrow	Agency Funds	Total
Assets				
Cash and cash equivalents	\$ 1,311,552	\$ 23,250	\$ 10,981	\$ 1,345,783
Other receivables	-	2,632	-	2,632
Investments, at fair values				
Investment accounts	4,090,479	-	-	4,090,479
Land and buildings	904,800	-	-	904,800
Total assets	\$ 6,306,831	\$ 25,882	\$ 10,981	\$ 6,343,694
Liabilities				
Accounts payable	\$ 3,022	\$ -	\$ 299	\$ 3,321
Assets held for others	-	-	10,682	10,682
Total liabilities	3,022	-	10,981	14,003
Net Position				
Held in trust	6,303,809	25,882	-	6,329,691
Total net position	\$ 6,303,809	\$ 25,882	\$ -	\$ 6,329,691



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2021

	<u>Public Guardian</u>
Additions	
Contributions	\$ 3,230,418
Trust account income	685,072
Interest	8,657
Other revenue	<u>113</u>
Total additions	<u>3,924,260</u>
Deductions	
Nursing home/residential care	669,699
Distributions to beneficiaries	379,073
Legal	245,197
Medical and dental	70,086
Living expenses	59,847
Burial expenses	49,989
Other expenses	39,279
Fees transfer	16,674
Insurance	15,838
Taxes	<u>5,714</u>
Total deductions	<u>1,551,396</u>
Change in net position	2,372,864
Net position at beginning of year	<u>3,930,945</u>
Net position at end of year	<u>\$ 6,303,809</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Notes to Financial Statements

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - East Tennessee Human Resource Agency, Inc., (“ETHRA”) 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. ETHRA 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 ETHRA,
- one State Senator and one State Representative whose districts lie wholly or in part within the established region served by ETHRA,
- and one additional member from each county of the region, appointed by the County Mayor

The Public Council consists of:

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

ETHRA also operates the Mountain Valley Economic Opportunity Authority (“MVEOA”) under a management agreement with the MVEOA Board of Directors. For financial reporting purposes, ETHRA 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 ETHRA have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”).

The government-wide financial statements (i.e. the statement of net position 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 on a significant extent of 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 reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accounting Structure and Basis - (Continued) Accounting transactions are tracked according to program activities.

The following describes how ETHRA's accounting activities are maintained and presented:

General Fund - ETHRA 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 - ETHRA operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, Housing and Urban Development ("HUD") Housing Choice Voucher ("HCV") Program, which administers housing vouchers to eligible people for rental assistance, and Transportation Enterprise, which includes fixed contracts for transportation services that are not based on participant fees.

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

One of these fiduciary responsibilities is to account for participant assets held by ETHRA 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." ETHRA manages persons', who have been deemed wards of the states ("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 ETHRA.

The transfer of the assets to ETHRA is shown as a 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.

The Fiduciary Fund is also used for ETHRA's 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) ETHRA collects donations from employees for funeral flowers or donations and for other purposes determined by employees.
- 2) ETHRA 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 principle ongoing operations. The principle operating revenues of the Misdemeanor Program, Transportation Enterprise, 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.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accounting Structure and Basis - (Continued) ETHRA charges each of the programs an indirect rate of twenty-two percent of salaries and fringe cost. In some cases, the rate is limited by the specific program grant.

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

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2021, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

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 or other receivables at June 30, 2021.

Deposits - ETHRA'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 ETHRA 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 the 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. ETHRA 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, ETHRA's deposits may not be returned. Although ETHRA 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 represent funds held by the East Tennessee Foundation in ETHRA's name.

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

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

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 - DEFERRED COMPENSATION PLAN

ETHRA offers its employees a tax deferred annuity plan, ETHRA Tax Sheltered Annuity 403(b). The plan is available to any full-time or part-time employee.

The tax-deferred annuity plan was established in accordance with Section 403(b) of the Internal Revenue Service's 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. ETHRA is the plan administrator. Effective September 1, 2019, ETHRA is a participant in RetireReadyTN, Tennessee's Retirement Program, and qualified employees can contribute to its 401(k) and 457 plans. These programs are administered by the Tennessee Treasury Department, with Empower Retirement serving as the official record-keeper.

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 ETHRA each payroll period. ETHRA will match any amount up to 5 percent of an employee's gross compensation, depending upon the employee's deduction. Employees can request a loan against their plan balances. Otherwise, the funds are not available to the employee until they are fully vested. Employee deferrals for the year ended June 30, 2021, were \$462,479 and ETHRA's matching contribution was \$322,397.

NOTE 6 - OPERATING LEASE AGREEMENTS

ETHRA leases offices and storage space to administer agency programs. All leases are cancelable at ETHRA's option. ETHRA incurred operating lease payments of \$1,094,199 in fiscal year 2021. Operating lease requirements under these agreements for the next five years and thereafter will be approximately as follows:

<u>Year ending June 30,</u>	
2022	\$ 672,253
2023	573,077
2024	392,128
2025	125,078
2026	<u>125,078</u>
	<u>\$ 1,887,614</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 7 - CAPITAL ASSETS

Governmental and business-type activities' capital asset changes for the year ended June 30, 2021 were as follows:

	<u>Balance</u> <u>07/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/21</u>
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Building Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,373,940	-	-	2,373,940
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	<u>6,891,543</u>	<u>395,328</u>	<u>(365,499)</u>	<u>6,921,372</u>
Total other capital asset at cost	<u>10,739,594</u>	<u>395,328</u>	<u>(365,499)</u>	<u>10,769,423</u>
Less accumulated depreciation for:				
Building Total	(579,023)	(36,997)	-	(616,020)
Furniture & Equipment Total	(2,290,718)	(6,130)	-	(2,296,848)
Leasehold improvements Total	(243,383)	-	-	(243,383)
Vehicles Total	<u>(4,033,079)</u>	<u>(1,004,424)</u>	<u>321,507</u>	<u>(4,715,996)</u>
Total accumulated depreciation	<u>(7,146,203)</u>	<u>(1,047,551)</u>	<u>321,507</u>	<u>(7,872,247)</u>
Governmental capital assets, net	<u>3,626,005</u>	<u>(652,223)</u>	<u>(43,992)</u>	<u>2,929,790</u>
Business-type capital assets:				
Vehicles	330,644	36,263	-	366,907
Accumulated depreciation	<u>(296,145)</u>	<u>(28,177)</u>	<u>-</u>	<u>(324,322)</u>
Business-type capital assets, net	<u>34,499</u>	<u>8,086</u>	<u>-</u>	<u>42,585</u>
Total capital assets, net	<u>\$ 3,660,504</u>	<u>\$ (644,137)</u>	<u>\$ (43,992)</u>	<u>\$ 2,972,375</u>

Depreciation expenses for the year ended June 30, 2021 were charged to programs/functions as follows:

Pool	\$ 38,855
Transportation	1,008,696
Total depreciation and capital expenses governmental activities	<u>1,047,551</u>
Oak Ridge Transit	<u>28,177</u>
	<u>\$ 1,075,728</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 7 - CAPITAL ASSETS - (Continued)

Capital Assets are presented in the Statement of Net Position (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.

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 Position as capital assets in the government-wide financial statements. Capital assets acquired from unrestricted resources are depreciated on a straight-line basis over their estimated useful lives as prescribed by government depreciation tables. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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 fiscal year 2021.

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.

There are no assigned fund balance amounts for fiscal year 2021.

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

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 8 - FUND BALANCE - (Continued)

	General	Human Resource Services	Total Governmental Funds
Nonspendable			
Advances and deposits	\$ 7,142	\$ -	\$ 7,142
Restricted for			
Mountain Valley	-	229,060	229,060
Loan	-	1,187,447	1,187,447
Human Resource Services	-	5,523,806	5,523,806
East Tennessee Foundation			
Investment	25,356	-	25,356
Unassigned	<u>1,414,998</u>	<u>-</u>	<u>1,414,998</u>
Total fund balances	<u>\$ 1,447,496</u>	<u>\$ 6,940,313</u>	<u>\$ 8,387,809</u>

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 ETHRA's policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 9 - CONTINGENCIES

Sick Leave - ETHRA 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 \$1,772,886 at June 30, 2021. Although there is no cash reimbursement for unused sick leave, at termination of employment, a portion of the cash value of unused sick leave, based on Board approval annually, may be placed in an employee's retirement account. An employee must be employed and a member of the retirement system for three years to be eligible for this benefit.

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

NOTE 10 - RISK MANAGEMENT

ETHRA participants in the Public Entity Partners ("PEP") for the following risks of loss: commercial general liability, bodily injury, property damage, personal injury liability for vehicle operation, workers' compensation, employer's liability, employee dishonesty; theft of, damage to, or destruction of real and personal property; and personal injury. ETHRA's agreement with PEP 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.

ETHRA 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.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 10 - RISK MANAGEMENT - (Continued)

ETHRA provides basic health, disability, and life insurance coverage for its employees through commercial insurance policies. ETHRA's maximum obligation under the basic health insurance policy is limited to \$585 and \$1,318 per month per employee for single and family coverage, respectively. ETHRA's obligation under the disability and life insurance policies are based on the employee's rate of pay.

NOTE 11 - GRANTS

ETHRA receives the majority of its revenues from federal, state and local government grants which require that 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. ETHRA's ability to continue its programs is directly dependent upon the grantors' continued revenue funding.

NOTE 12 - RISKS AND UNCERTAINTIES

On March 11, 2020 the World Health Organization designated COVID-19 a world health pandemic. Our existing contingency and disaster preparedness plans give management the tools necessary to guide ETHRA through such circumstances. We have evaluated the short-term and long-term impacts of this pandemic on ETHRA, the outcome of which is not predictable with assurance, and it is possible that ETHRA could be affected negatively by these circumstances. Although the ultimate financial impact of this pandemic cannot be ascertained, through a thorough evaluation of cash, revenue sources, and our overhead projections, management believes that any resulting financial impact did not materially affect the financial position of ETHRA as of June 30, 2021.

NOTE 13 - CARES ACT

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, and increased limitations on qualified charitable contributions. Management is currently evaluating how these provisions of the CARES Act will impact ETHRA's financial position, results of operations, and cash flows.

SUPPLEMENTARY INFORMATION



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Schedule of Expenditures by Program
 Governmental Funds
 For the Year Ended June 30, 2021

	General	Aging	ETHRA Aging	Workforce Development	Title V
Expenditures					
Current					
Salaries	\$ 1,178,768	\$ 1,665,397	\$ 566,344	\$ 385,871	\$ 57,712
Fringe Benefits	360,406	512,270	97,088	120,298	15,363
Professional Fees	302,834	136,985	51,384	15,486	1,165
Supplies	188,745	11,195	202,524	66,442	248
Telephone	37,930	32,356	12,221	90,040	1,054
Postage and Freight	2,574	9,275	1,436	1,974	1,570
Equipment Rental & Maintenance	90,278	18,214	10,351	92,064	3,258
Printing & Publications	9,542	7,108	9,920	36,659	116
Travel, Training, Conferences	26,223	21,532	53,312	7,145	1,490
Insurance	3,351	29,782	8,473	3,107	1,052
Occupancy	124,292	103,125	33,368	656,368	4,989
Fuel & Maintenance	-	-	-	-	-
Grants & Allocations	-	5,243,472	-	3,768,265	28,668
Participant	-	2,170,642	405,259	2,817,533	807,036
Capital	13,871	-	62,512	-	-
Depreciation	-	-	-	-	-
Other	8,060	13,674	2,106	1,853	164
Indirect cost allocation	(2,337,854)	424,683	102,021	98,885	14,346
In-Kind	-	96,914	15,070	-	117,462
Total Expenditures	<u>9,020</u>	<u>10,496,624</u>	<u>1,633,389</u>	<u>8,161,990</u>	<u>1,055,693</u>
Other Financing Sources (Uses)					
Transfers - match	<u>(8,989)</u>	<u>1,067,900</u>	<u>(1,124,496)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(8,989)</u>	<u>1,067,900</u>	<u>(1,124,496)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 31</u>	<u>\$ 11,564,524</u>	<u>\$ 508,893</u>	<u>\$ 8,161,990</u>	<u>\$ 1,055,693</u>

See independent auditors' report.

LIHEAP WAP	Transportation/ Call Center	Community Corrections	Child Care Food	Homemaker	Mountain Valley	Loan Program	Total
\$ 241,821	\$ 4,486,111	\$ 1,059,840	\$ 161,089	\$ 206,557	\$ 185,682	\$ -	\$ 10,195,192
75,320	1,368,351	337,853	41,712	62,478	51,547	-	3,042,686
14,207	151,450	2,099	4,072	652	7,422	-	687,756
6,034	112,372	6,407	3,948	4,213	121,068	-	723,196
2,382	79,614	48,065	3,300	11,814	10,318	-	329,094
9,645	1,306	679	1,399	41	428	10	30,337
4,757	39,425	15,304	2,826	4,078	3,711	-	284,266
659	7,136	1,957	428	225	601	-	74,351
410	17,256	62,336	19,644	37,277	2,690	-	249,315
4,495	339,033	32,257	3,847	4,308	5,402	-	435,107
11,154	163,879	123,913	16,489	24,370	36,296	-	1,298,243
-	1,030,227	-	-	-	-	-	1,030,227
-	-	-	3,658,782	-	-	-	12,699,187
4,155,176	-	4,022	-	-	87,630	12	10,447,310
-	250,950	-	-	-	-	-	327,333
-	-	-	-	-	4,272	-	4,272
302	59,968	6,108	29,602	1,026	1,543	(1,361)	123,045
62,532	1,156,002	120,043	39,668	30,851	41,886	-	(246,937)
-	-	-	-	-	-	-	229,446
<u>4,588,894</u>	<u>9,263,080</u>	<u>1,820,883</u>	<u>3,986,806</u>	<u>387,890</u>	<u>560,496</u>	<u>(1,339)</u>	<u>41,963,426</u>
-	(33,259)	(52,014)	-	-	-	-	(150,858)
-	(33,259)	(52,014)	-	-	-	-	(150,858)
<u>\$ 4,588,894</u>	<u>\$ 9,229,821</u>	<u>\$ 1,768,869</u>	<u>\$ 3,986,806</u>	<u>\$ 387,890</u>	<u>\$ 560,496</u>	<u>\$ (1,339)</u>	<u>\$ 41,812,568</u>



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2021

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Assets				
Contributions from employees	\$ 11,143	\$ 2,232	\$ 2,394	\$ 10,981
Total assets	<u>\$ 11,143</u>	<u>\$ 2,232</u>	<u>\$ 2,394</u>	<u>\$ 10,981</u>
Liabilities				
Employee Volunteer/Assets held for others	\$ 11,143	\$ 2,232	\$ 2,394	\$ 10,981
Total liabilities	<u>\$ 11,143</u>	<u>\$ 2,232</u>	<u>\$ 2,394</u>	<u>\$ 10,981</u>



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Non-Cash Assistance
For the Year Ended June 30, 2021

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

	<u>GRANT #</u> <u>83265-66715</u>	<u>GRANT #</u> <u>83265-70714</u>	<u>TOTALS</u>
<u>CFDA #</u>	10.568	10.568	
<u>PROGRAM NAME</u>	Emergency Food Assistance Program	Emergency Food Assistance Program	
<u>GRANTOR AGENCY</u>	Tennessee Department of Agriculture	Tennessee Department of Agriculture	
<u>Balance 7/1/2020</u>	\$ 102,390	\$ -	\$ 102,390
<u>Receipts</u>	80,433	241,621	322,054
<u>Change in USDA Rate</u> (2)	(6,116)	(45)	(6,161)
<u>Other Additions</u> (3)	-	-	-
<u>Commodities Distributed</u>	111,147	219,674	330,821
<u>Other Deductions</u> (4)	-	-	-
<u>Balance 6/30/2021</u>	<u>\$ 65,560</u>	<u>\$ 21,902</u>	<u>\$ 87,462</u>

- (1) This schedule represents the fair value of noncash assistance based on per unit commodities values provided by the Tennessee Department of Agriculture.
- (2) This amount includes a change in the USDA values for commodities on hand as of 6/30/2021.
- (3) This amount represents a reconciliation between physical inventory and book inventory.
- (4) This amount represents lost and damaged commodities.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Expenditures of Federal Awards and State Grants
For the Year Ended June 30, 2021

Federal/Pass-through Agency Program Title	CFDA Number	
U.S. Department of Agriculture		
Passed through Tennessee Department of Agriculture		
Supplemental Nutrition Assistance Program	10.561	\$ 56,502
Emergency Food Assistance Program (Administration)	10.568	83,325
Passed through Tennessee Department of Human Services		
Child and Adult Care Food Program	10.558	3,248,159
Summer Food Service Program for Children	10.559	976,336
		<u>4,364,322</u>
U.S. Department of Housing and Urban Development		
Section 8 Rental Voucher Program	14.871	3,584,679
Section 8 Rental Voucher Program COVID19	14.871	89,313
		<u>3,673,992</u>
U.S. Department of Labor		
Senior Community Service Employment-SSAI	17.235	787,942
Pass through Tennessee Commission on Aging		
Pass through Tennessee Department of Labor and Workforce Development		
Unemployment Insurance	17.225	11,792
Senior Community Service Employment-State	17.235	150,288
Workforce Investment Act Adult Program	17.258	2,668,060
Workforce Investment Act Youth Activities	17.259	2,328,116
Workforce Investment Act National Dislocated Worker Formula	17.277	166,745
Workforce Investment Act Dislocated Worker Formula	17.278	2,407,746
Workforce Investment Act Apprenticeship	17.285	51,036
		<u>8,571,725</u>
U.S. Department of Transportation		
Federal Transit_Formula Grants	20.507	692,539
Federal Transit_Formula Grants CARES	20.507	980,450
Passed through Tennessee Department of Transportation		
Formula Grants for Other Than Urbanized Areas	20.509	1,604,970
Formula Grants for Other Than Urbanized Areas CARES	20.509	4,620,313
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	27,759
		<u>7,926,031</u>
U.S. Department of Energy		
Passed through Tennessee Housing Development Agency		
Weatherization Assistance for Low-income Persons	81.042	270,106
Low Income Heating and Energy Assistance Program	93.568	3,691,246
Low Income Heating and Energy Assistance Program CARES	93.568	607,720
		<u>4,569,072</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	1,831
		<u>1,831</u>

See independent auditors' report.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Expenditures of Federal Awards and State Grants (Continued)

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	\$ 10,000
Special Programs for the Aging, Title VII, Chapter 2	93.042	67,600
Special Programs for the Aging, Title III, Part D	93.043	81,869
Special Programs for the Aging, Title III, Part B	93.044	1,483,327
Special Programs for the Aging, Title III, Part C	93.045	2,575,600
Special Programs for the Aging, Title III, Part C COVID19	93.045	1,810,525
National Caregiver Support, Title III, Part E	93.052	695,460
Nutritional Services Incentive Program	93.053	382,000
Crime Victim Assistance	16.575	300,837
SAIL	93.761	8,664
		7,415,882
Passed through Tennessee Department of Human Services		
Community Services Block Grant	93.569	335,580
Community Services Block Grant COVID	93.569	118,148
Social Services Block Grant	93.667	366,384
		820,112
Centers for Medicare and Medicaid Services		
Passed through Tennessee Commission on Aging		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	118,331
PPACA/MIPPA	93.071	94,892
		213,223
Passed through TennCare		
Medicaid Assistance Program	93.778	967,948
		\$ 38,524,138

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Expenditures of Federal Awards and State Grants (Continued)

Federal/Pass-through Agency Program Title	CFDA Number
State and Local Grants	
Child Protective Services	N/A \$ 4,494
Community Corrections	N/A 1,562,838
Community Intervention Services	N/A 141,592
Senior Centers	N/A 232,900
State Guardianship	N/A 204,300
State Homemaker	N/A 63,800
State Nutrition	N/A 120,100
State Aging - Options	N/A 1,918,600
Aging Services -III-E Match	N/A 85,000
Senior Vol Transportation Network	N/A 6,214
LaFollette Medical Foundation	N/A 30,000
Summer Feeding Initiative	N/A 1,756
Transportation Special Projects Capital	N/A 10,337
Transportation BOPP	N/A 36,820
Transportation TEIS	N/A 2,300
Transportation CRIT	N/A 365,859
Transportation MPC	N/A 164,047
TN Community CARES	N/A 357,391
AJC - Adult Ed	N/A (115,691)
AJC - DOL	N/A 127,389
AJC - VR	N/A 20,353
AJC - TDVA	N/A 18,906
AJC - TAA	N/A 3,776
AJC - SNAP	N/A 25,035
AJC - RESEA	N/A 58,569
AJC - ETSU	N/A 9,812
AJC - Job Corp	N/A 5,287
AJC- Ticket toWork	N/A 3,540
NCRC-Tate & Lyle	N/A 298,422
Total State and Local	<u>\$ 5,763,746</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state award activity of ETHRA under programs of the federal government for the year ended June 30, 2021. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selection portion of the operations of ETHRA they are not intended to and do not present the financial position, change in net position, or cash flows of ETHRA

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. ETHRA uses an 19.8% indirect cost rate approved by the Department of Health and Human Services.



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule
 June 30, 2021

HUD A/C#		HUD HCV
	Assets	
111	Cash - unrestricted	\$ 233,044
113	Cash - other restricted	<u>76,638</u>
100	Total Cash	<u>309,682</u>
125	Accounts receivable	<u>852</u>
120	Total receivables, net of allowance for doubtful accounts	<u>852</u>
150	Total current assets	<u>310,534</u>
164	Furniture, equipment, & machinery - administration	115,758
166	Accumulated depreciation	<u>(73,173)</u>
160	Total capital assets, net of accumulated depreciation	<u>42,585</u>
180	Total non-current assets	<u>42,585</u>
290	Total assets	<u><u>\$ 353,119</u></u>
	Liabilities	
312	Account payable less than 90 days	\$ <u>9,747</u>
310	Total current liabilities	<u>9,747</u>
353	Non-current liabilities - other	<u>25,902</u>
350	Total non-current liabilities	<u>25,902</u>
300	Total liabilities	<u>35,649</u>
	Net Position	
508.4	Net investment in capital assets	42,585
511.4	Restricted net position	43,759
512.4	Unrestricted net position	<u>231,126</u>
513	Total equity - net assets/position	<u>317,470</u>
600	Total liabilities and equity - net assets/position	<u><u>\$ 353,119</u></u>
Line 113 Details		
113-020	FSS escrow deposits	\$ 25,902
113-030	All other funds	<u>50,736</u>
		<u><u>\$ 76,638</u></u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule (Continued)

HUD A/C#		HUD HCV
	Revenues	
70600	HUD PHA operating grants	\$ 3,523,948
71400	Fraud recovery	320
71500	Other revenue	12,072
71600	Gain on sale of capital assets	<u>220</u>
70000	Total operating revenues	<u>3,536,560</u>
	Expenses	
	Administrative	
91100	Administrative salaries	125,646
91200	Auditing fees	4,244
91400	Advertising and marketing	238
91500	Employee benefit contributions - administrative	39,170
91600	Office expenses	35,283
91800	Travel	2,499
91810	Allocated overhead	39,362
91900	Other general expenses	<u>372</u>
91000	Total operating - administrative	<u>246,814</u>
	Tenant	
92100	Tenant services - salaries	36,132
92300	Employee benefit contributions - tenant services	<u>11,566</u>
92500	Total tenant services	<u>47,698</u>
	Insurance premiums	
96120	Liability insurance	<u>3,272</u>
96100	Total insurance premiums	<u>3,272</u>
96900	Total operating expenses	<u>297,784</u>
97000	Excess of operating revenue over operating expenses	<u>3,238,776</u>
97300	Housing assistance payments	3,206,308
97350	HAP portability-in	11,209
97400	Depreciation expense	<u>8,136</u>
90000	Total expenses	<u>3,523,437</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ 13,123</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
HUD Housing Choice Voucher Program Financial Data Schedule (Continued)

HUD A/C#		HUD HCV
	Memo account information	
11030	Beginning equity	\$ 298,885
11170	Administrative fee equity	273,712
11180	Housing assistance payments equity	43,759
11190	Unit months available	9,408
11210	Number of unit months leased	6,960
	Line item 70600 details	
70600-010	Housing assistance payments	3,095,390
70600-020	Ongoing administrative fees earned	380,860
70600-031	FSS coordinator grant	47,698
	Total	\$ 3,523,948
	Line item 71400 details	
71400-010	Housing assistance payment	\$ 160
71400-020	Administrative fee	160
	Total	\$ 320
	Line item 97300 details	
97300-020	Home-ownership	\$ 113,616
97300-040	Tenant protection	11,791
97300-041	Portability-out	17,582
97300-045	FSS escrow deposits	18,752
97300-050	All other	3,044,567
	Total	\$ 3,206,308
	Line item 11170 details	
11170-001	Administrative fee equity - beginning balance	\$ 149,831
11170-010	Administrative fee revenue	380,860
11170-021	FSS coordinator	47,698
11170-045	Fraud recovery revenue	160
11170-050	Other revenue	12,072
11170-060	Total admin fee revenues	590,621
11170-080	Total operating expenses	297,784
11170-090	Depreciation	8,136
11170-095	Housing assistance payment portability in	11,209
11170-110	Total expenses	317,129
11170-002	Net administrative fee	273,492
11170-003	Administrative fee equity - ending balance	\$ 423,323
11170-006	Post - 2003 administrative fee reserves	\$ 423,323

See independent auditors' report.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule (Continued)

<u>HUD A/C#</u>		<u>HUD HCV</u>
	Line item 11180 details:	
11180-001	Housing assistance payments equity - beginning balance	\$ 152,107
11180-010	Housing assistance payments revenue	3,095,390
11180-015	Fraud recovery revenue	160
11180-020	Other revenue	<u>12,292</u>
11180-021	Comments for other revenue - forfeitures	
11180-030	Total housing assistance payments revenue	<u>3,259,949</u>
11180-080	Housing assistance payments	<u>3,206,308</u>
11180-091	Comments for other expenses - prior period expense correction	
11180-100	Total housing assistance payments expenses	<u>3,206,308</u>
11180-002	Net housing assistance payments	<u>53,641</u>
11180-003	Housing assistance payments equity - ending balance	<u>\$ 205,748</u>
	Line item 11190 details:	
11190-210	Total ACC HCV Units	<u>9,408</u>



COMPLIANCE REPORTS



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal Control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

Type of auditors report issued on compliance for major federal programs: Unmodified opinion

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ X Yes _____ No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507	Federal Transit Formula Grants
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish between type A and type B programs: \$1,155,724

Auditee qualified as low -risk auditee? _____ X Yes _____ No

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None Reported.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Findings and Questioned Costs (Continued)

III. Findings and Questioned Costs for Federal Award Programs

Reference number: 2021-001 Reimbursement Request Calculations

Criteria: Claims forms for monthly meal reimbursements should be based on attendance records reflecting actual number of meals served.

Condition: During the audit process, it was noted that claims for meal reimbursements were not properly reconciled to the related summary of attendance, and therefore, the claim form reimbursement requests tested were overstated.

Questioned Costs: There are no questioned costs as the amounts overstated are under the threshold.

Context: We tested three reimbursement requests throughout audit procedures noting ETHRA reimbursed vendors for 116,243 meals but only 116,083 were served. Additionally, monitoring reports disclosed multiple meals disallowed due to the number of meals served reported incorrectly. This condition identified per review of the major program's compliance with specified requirements using a statistically valid sample.

Effect of Condition: Failure to report the proper number of meals served could result in inaccurate reporting of expenses during a specified period and possible disallowance of funds.

Cause: Personnel did not adhere to the reconciliation and review process in relation to this condition.

Recommendation: ETHRA should ensure that they remain in compliance with reconciliation and review processes.

View of Responsible Officials: Agree



East Tennessee Human Resource Agency, Inc.

Administrative Office
9111 Cross Park Drive, Suite D-100
Knoxville, Tennessee 37923
Voice (865) 691-2551
Fax (865) 531-7216
TDD (865) 681-1990

www.ethra.org

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Corrective Action Plan
Year Ended June 30, 2021

Federal Award Findings

Reference number: 2021-001 Reimbursement Request Calculations

Name of Contact Person: Gary W. Holiway, Executive Director

Corrective Action: ETHRA will request permission from TDHS for the sites to be able to use manual hand counters and utilize the Minute Menu software that has the capability to capture the meal count information and eliminate the errors made with manual calculations. Intensive training will be conducted for all staff and volunteers on how to document the number of meals received and served prior to submission. A new staff position will be hired for the purpose of reviewing claims and reconciling backup prior to submission to the state.

Proposed Completion Date: December 31, 2021

Respectively submitted:



Gary W. Holiway, Executive Director

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2020

Findings - Financial Statements Audit

There were no prior findings reported.

Findings and Questioned Costs - Major Federal Award Programs Audit

Reference number: 2020-001 Reimbursement Request Calculations

Condition: During the audit process, it was noted that claims for meal reimbursements were not properly reconciled to the related summary of attendance, and therefore, the claim form reimbursement requests tested were overstated.

Current Status: See 2021-1 Finding

Reference number: 2020-002 Overtime Wage Calculation

Condition: During the audit process, it was noted that transportation drivers were paid overtime rates starting at 37.5 hours instead of 40 hours.

Current Status: Resolved



Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on An Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors
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, 2021, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated December 22, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rodger Moss & Co, PLLC

Knoxville, Tennessee
December 22, 2021



Independent Auditors' Report on Compliance for Each Major Program and on Internal
Control Over Compliance Required by the Uniform Guidance

To the 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. ("ETHRA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ETHRA's major federal programs for the year ended June 30, 2021, ETHRA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

ETHRA's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ETHRA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Roderic Moss & Co, PLLC

Knoxville, Tennessee
December 22, 2021

