



East Tennessee Human Resource Agency, Inc.

Annual Financial Report

June 30, 2014

East Tennessee Human Resource Agency, Inc.
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East Tennessee Human Resource Agency, Inc.
Gary Holiway, Executive Director
Board of Directors and Policy Council
As of June 30, 2014

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
- ** Thomas Byrge

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

Campbell County

- * County Mayor William Baird
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 McGaffé, Cumberland Gap
Mayor Bill Fultz, Harrogate
Mayor Jerry Becler, 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
- *** Mr. Glenn Ray

General Assembly

Senator Stacey Campfield
Representative Kelly Keisling

Grainger County

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

Hamblen County

- * **County Mayor Bill Brittain - Secretary**
Mayor Danny Thomas, Morristown
- *** Marshall Ramsey
- ** 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
- ** Ms. Susan Long
- *** Mr. Dean Rice

Loudon County

- * **County Mayor Estelle Herron - Chair**
Mayor Tom Pecler, 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 Glenn Moser, 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 - Vice Chair**
Mayor Chris Helper, Oliver Springs
Mayor James Watts, Rockwood
- *** Leslie Henderson

Scott County

- * **County Mayor Jeff Tibbals - Treasurer**
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
- ** Ms. Jane Howes

Union County

- * County Mayor Mike Williams
Mayor Johnny Merritt, Luttrell
Mayor H. E. Richardson, Maynardville
Mayor Gary Chandler, Plainview
- * Policy Council and Governing Board
- ** Policy Council Only (Resource Rep)
- *** Board Only (resource Rep)



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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. 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. The agency 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. These activities are reported as business-like activities for fiscal year 2014.

ETHRA has 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 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 and HUD Family Self Sufficiency Escrow are fiduciary activities of ETHRA.

Financial Summary

	2014	2013	Increase/ (Decrease)
ASSETS			
Cash and cash equivalents	\$ 5,137,316	\$ 4,114,054	\$ 1,023,262
Capital assets (net of accumulated depreciation)	3,412,578	4,956,959	(1,544,381)
Receivables from grantors, contractors, and others	5,253,585	6,017,867	(764,282)
Prepaid expenses and deposits	237,610	176,313	61,297
TOTAL ASSETS	14,041,089	15,265,193	(1,224,104)
TOTAL LIABILITIES			
Investment in capital assets	3,412,578	4,934,266	(1,521,688)
Restricted net position	1,163,302	1,158,753	4,549
Unrestricted net position	5,485,465	3,768,265	1,717,200
TOTAL NET POSITION	\$ 10,061,345	\$ 9,861,284	\$ 200,061
REVENUES			
Operating grants and contributions	\$ 25,453,927	\$ 25,810,377	\$ (356,450)
Charges for services	11,794,233	12,061,188	(266,955)
Assessment to local governments	253,590	269,590	(16,000)
TOTAL REVENUES	\$ 37,501,750	\$ 38,141,155	\$ (639,405)
EXPENSES			
General government	\$ 3,531,891	\$ 2,040,603	\$ 1,491,288
Aging	6,632,810	7,435,670	(802,860)
ETHRA Aging	1,277,370	1,309,893	(32,523)
Transportation	8,684,133	9,852,373	(1,168,240)
Workforce development	3,869,343	3,550,328	319,015
Housing and restoration	2,334,250	2,676,620	(342,370)
Title V	1,233,227	1,263,204	(29,977)
AIDS support	873,632	929,495	(55,863)
Corrections and probation	1,656,446	1,699,865	(43,419)
Child and Family Assistance	1,036,740	1,117,807	(81,067)
Homemaker	483,563	457,762	25,801
Mountain Valley	365,812	441,555	(75,743)
SSI	38,919	-	38,919
Loan	59,984	29,192	30,792
Misdemeanor	1,362,865	1,420,272	(57,407)
Transportation Enterprise	115,057	-	115,057
HUD Housing Choice Voucher	3,745,647	3,723,829	21,818
TOTAL EXPENSES	\$ 37,301,689	\$ 37,948,468	\$ (646,779)
CHANGE IN NET ASSETS	\$ 200,061	\$ 192,687	\$ 7,374

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 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 2014, ETHRA continued to receive the appropriation from the State of Tennessee budget.

ETHRA showed an improvement in net position of \$200,061 and an improvement in cash of \$1,023,262

Program Highlights

Overall, during FY 14, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget. On a positive note, for the first time, the transportation program is operating at breakeven. This is significant as it relieves some of the financial pressures related to other programs. During the year, ETHRA had a significant issue with the weatherization program. During a program audit, it was discovered that several procedures had not been followed. The houses were weatherized, but the State did not reimburse ETHRA for construction costs. The negative financial impact nets to approximately \$125,000 in the housing fund. The actual amount will not be known for several months. Although the loss is significant, ETHRA will continue to operate a weatherization program in FY 15. A few programs; mobile meals, senior centers, and child care food are receiving lower revenues, which is 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 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 discussions in Washington. As a result, the overall Agency 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.

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014, 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, 2014, 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 on pages 1 through 4 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, and other financial information 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, HUD housing choice voucher program financial data schedule, and other financial information 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, 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 5, 2014, 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
December 5, 2014

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East Tennessee Human Resource Agency, Inc.
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,322,475	\$ 809,841	\$ 5,132,316
Investments	5,000	-	5,000
Receivables, net of allowance for uncollectible accounts	4,292,382	63,913	4,356,295
Loans receivable	897,290	-	897,290
Deposits	5,744	-	5,744
Prepaid expenditures	163,146	-	163,146
Construction in Progress	68,720	-	68,720
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	875,217	-	875,217
Furniture and equipment	305,270	-	305,270
Leasehold improvements	25,987	-	25,987
Vehicles	2,052,265	121,225	2,173,490
Total capital assets	<u>3,291,353</u>	<u>121,225</u>	<u>3,412,578</u>
 Total assets	 <u>13,046,110</u>	 <u>994,979</u>	 <u>14,041,089</u>
LIABILITIES			
Accounts payable	1,234,334	33,419	1,267,753
Accrued expenses	2,687,554	6,304	2,693,858
Deferred revenue	26	-	26
Advances	18,107	-	18,107
 Total liabilities	 <u>3,940,021</u>	 <u>39,723</u>	 <u>3,979,744</u>
NET POSITION			
Net investment in capital assets	3,291,353	121,225	3,412,578
Restricted for:			
THDA - House Loan	990,674	-	990,674
MVEOA	167,628	-	167,628
East Tennessee Foundation Investment	5,000	-	5,000
Unrestricted	4,651,434	834,031	5,485,465
Total net position	<u>\$ 9,106,089</u>	<u>\$ 955,256</u>	<u>\$ 10,061,345</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Activities
For the Year Ended June 30, 2014

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 Business-type Activities	Total
Primary government								
Governmental activities								
General government	\$ 3,531,891	\$ (2,281,754)	\$ 5,921	\$ -	\$ -	\$ (1,244,216)	\$ -	\$ (1,244,216)
Aging	6,632,810	263,085	27,834	7,933,297	-	1,065,236	-	1,065,236
ETHRA Aging	1,277,370	114,632	88,917	277,217	-	(1,025,868)	-	(1,025,868)
Transportation	8,684,133	1,025,793	5,706,659	5,166,587	-	1,163,320	-	1,163,320
Workforce development	3,869,343	280,742	40,956	4,113,668	-	4,539	-	4,539
Housing and restoration	2,334,250	50,660	155,628	2,097,384	-	(131,898)	-	(131,898)
Title V	1,233,227	19,885	946	1,253,112	-	946	-	946
AIDS support	873,632	24,173	-	908,097	-	10,292	-	10,292
Corrections and probation	1,656,446	120,004	71,308	1,783,482	-	78,340	-	78,340
Child and Family Assistance	1,036,740	21,949	-	1,028,564	-	(30,125)	-	(30,125)
Homemaker	483,563	67,725	10,477	442,756	-	(98,055)	-	(98,055)
Mountain Valley	365,812	50,007	9	397,346	-	(18,464)	-	(18,464)
SSI Represent. Payee Admin	38,919	-	123	-	-	(38,796)	-	(38,796)
Loan	59,984	-	26,703	52,417	-	19,136	-	19,136
Total governmental activities	<u>32,078,120</u>	<u>(243,099)</u>	<u>6,135,481</u>	<u>25,453,927</u>	<u>-</u>	<u>(245,613)</u>	<u>-</u>	<u>(245,613)</u>
Business-type activities								
Misdemeanor	1,362,865	178,548	1,709,533	-	-	-	168,120	168,120
Transportation Enterprise	115,057	10,803	192,200	-	-	-	66,340	66,340
HUD Housing Choice Voucher	3,745,647	53,748	3,757,019	-	-	-	(42,376)	(42,376)
Total business-type activities	<u>5,223,569</u>	<u>243,099</u>	<u>5,658,752</u>	<u>-</u>	<u>-</u>	<u>(245,613)</u>	<u>192,084</u>	<u>(53,529)</u>
Total primary government	<u>\$ 37,301,689</u>	<u>\$ -</u>	<u>\$ 11,794,233</u>	<u>\$ 25,453,927</u>	<u>\$ -</u>	<u>(245,613)</u>	<u>\$ 955,256</u>	<u>\$ 10,061,345</u>
General revenues:								
Assessments to local governments						253,590	-	253,590
Transfers						(448,681)	448,681	-
Total general revenues						(195,091)	448,681	253,590
Net position - beginning						(440,704)	640,765	200,061
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, 2014

	General	Human Resource Services	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,564,978	\$ 309,761	\$ 1,874,739
Investments	5,000	-	5,000
Grant and contract receivables, net of allowance for uncollectibles	12,162	4,143,827	4,155,989
Loans receivable	-	897,290	897,290
Deposits	5,744	-	5,744
Prepaid expenditures	195	2,152	2,347
Construction in progress	-	68,720	68,720
Total assets	\$ 1,588,079	\$ 5,421,750	\$ 7,009,829
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Checks written in excess of cash balance	\$ -	\$ -	\$ -
Accounts payable	103,499	1,125,442	1,228,941
Accrued expenses	20,958	188,145	209,103
Deferred revenue	-	26	26
Advances	-	18,107	18,107
Total liabilities	124,457	1,331,720	1,456,177
 Fund balances:			
Nonspendable	5,939	26	5,965
Restricted	5,000	4,090,030	4,095,030
Assigned	-	-	-
Unassigned	1,452,683	-	1,452,683
Total fund balances	1,463,622	4,090,056	5,553,678
Total liabilities and fund balances	\$ 1,588,079	\$ 5,421,776	

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 \$6,354,247	3,291,353
Capital assets purchases capitalized	47,732
Increase in net position of internal service funds	213,326

Net position of governmental activities

\$ 9,106,089

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, 2014

	General	Human Resource Services	Total Governmental Funds
REVENUES			
Grantor contributions	\$ -	\$ 24,655,270	\$ 24,655,270
Program income	-	5,736,174	5,736,174
USDA	-	340,000	340,000
Assessments to local governments	216,540	37,050	253,590
In-kind contributions	-	458,654	458,654
Interest income	-	26,225	26,225
Other income	5,922	367,161	373,083
Total revenues	<u>222,462</u>	<u>31,620,534</u>	<u>31,842,996</u>
EXPENDITURES			
Current:			
General	2,723	-	2,723
Aging	-	6,895,895	6,895,895
ETHRA Aging	-	1,392,002	1,392,002
Workforce Development	-	4,150,085	4,150,085
Title V	-	1,253,112	1,253,112
LIHEAP WAP	-	2,384,910	2,384,910
Transportation Call Center	-	9,709,926	9,709,926
Community Corrections	-	1,776,450	1,776,450
Child Care Food	-	1,058,689	1,058,689
Homemaker	-	551,288	551,288
Mountain Valley	-	415,819	415,819
AIDS Support	-	897,805	897,805
SSI	-	38,919	38,919
Loan Program	-	59,984	59,984
Total expenditures	<u>2,723</u>	<u>30,584,884</u>	<u>30,587,607</u>
Excess of revenues over expenditures	<u>219,739</u>	<u>1,035,650</u>	<u>1,255,389</u>
OTHER FINANCING SOURCES (USES)			
Transfers in - match	-	542,406	542,406
Transfers out - match	(131,955)	-	(131,955)
Total other financing sources (uses)	<u>(131,955)</u>	<u>542,406</u>	<u>410,451</u>
Net change in fund balance	<u>87,784</u>	<u>1,578,057</u>	<u>1,665,841</u>
Fund balances - beginning, before adjustment	1,375,838	3,144,239	4,520,077
Fund balances used to create proprietary fund	-	(632,266)	(632,266)
Fund balances - beginning, as adjusted	<u>1,375,838</u>	<u>2,511,973</u>	<u>3,887,811</u>
Fund balances - ending	<u>\$ 1,463,622</u>	<u>\$ 4,090,030</u>	<u>\$ 5,553,652</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, 2014

Net change in fund balances - total governmental funds \$ 1,665,841

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:

Depreciation expense	(1,324,887)
Capital assets purchases capitalized	47,732
Net gain on sale of capital assets	43,985
Transfers (to)/from proprietary funds	(859,132)
Increase/(Decrease) in net position of internal service funds	<u>(14,243)</u>
	<u>(2,106,545)</u>

Change in net position of governmental activities \$ (440,704)

See accompanying notes to the financial statements.

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East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>Transportation Enterprise</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 273,732	\$ 166,628	\$ 369,481	\$ 809,841	\$ 2,447,736
Accounts receivable	-	-	37,913	37,913	18,040
Grants receivable	-	26,000	-	26,000	-
Payroll receivables	-	-	-	-	118,353
Prepaid expenditures	-	-	-	-	160,799
Total current assets	<u>273,732</u>	<u>192,628</u>	<u>407,394</u>	<u>873,754</u>	<u>2,744,928</u>
Noncurrent Assets:					
Capital assets					
Vehicles, net	<u>2,417</u>	<u>10,965</u>	<u>107,843</u>	<u>121,225</u>	<u>2,084,455</u>
Total noncurrent assets	<u>2,417</u>	<u>10,965</u>	<u>107,843</u>	<u>121,225</u>	<u>2,084,455</u>
Total assets	<u>\$ 276,149</u>	<u>\$ 203,593</u>	<u>\$ 515,237</u>	<u>\$ 994,979</u>	<u>\$ 4,829,383</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 18,898	\$ 14,521	\$ -	\$ 33,419	\$ 5,393
Accrued expenses	4,769	1,319	216	6,304	2,478,451
Total current liabilities	<u>23,667</u>	<u>15,840</u>	<u>216</u>	<u>39,723</u>	<u>2,483,844</u>
Total liabilities	<u>23,667</u>	<u>15,840</u>	<u>216</u>	<u>39,723</u>	<u>2,483,844</u>
NET POSITION					
Net investment in capital assets	2,417	10,965	107,843	121,225	2,084,455
Temporarily restricted net position	-	-	-	-	71,451
Unrestricted net position	<u>250,065</u>	<u>176,788</u>	<u>407,178</u>	<u>834,031</u>	<u>189,633</u>
Total net position	<u>\$ 252,482</u>	<u>\$ 187,753</u>	<u>\$ 515,021</u>	<u>\$ 955,256</u>	<u>\$ 2,345,539</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>Transportation Enterprise</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
OPERATING REVENUES					
Program income	\$ 1,702,288	\$ 3,751,187	\$ 192,200	\$ 5,645,675	\$ -
Other revenue	7,245	5,832	-	13,077	305,560
Total operating revenues	<u>1,709,533</u>	<u>3,757,019</u>	<u>192,200</u>	<u>5,658,752</u>	<u>305,560</u>
OPERATING EXPENSES					
Salaries	804,736	222,919	45,074	1,072,729	-
Fringe benefits	184,984	57,819	11,733	254,536	10,452
Grant and program costs	-	3,372,999	-	3,372,999	-
Occupancy	123,569	26,243	-	149,812	-
Consultants and contracted services	3,700	5,162	10,250	19,112	5,658
Gasoline	-	-	15,438	15,438	36,796
Telephone	43,032	8,564	374	51,970	-
Training and conferences	40,746	92	-	40,838	-
Travel	85,349	9,300	-	94,649	-
Supplies	8,113	1,765	98	9,976	-
Insurance and bonding	22,358	5,609	4,372	32,339	21,216
Maintenance and repairs	22,396	10,670	98	33,164	13,734
Rentals	-	6,450	589	7,039	-
Depreciation	2,000	7,310	26,961	36,271	1,323,138
Postage and freight	7,164	7,518	-	14,682	-
Printing	12,386	2,524	71	14,981	-
Other expenses	2,331	703	-	3,034	4,378
Transfers	-	-	183,584	183,584	227,569
Indirect cost allocation	178,549	53,748	10,803	243,101	-
Total operating expenses	<u>1,541,413</u>	<u>3,799,395</u>	<u>309,445</u>	<u>5,650,254</u>	<u>1,642,941</u>
Operating income	168,120	(42,376)	(117,245)	8,499	(1,337,381)
Total net position - beginning	<u>84,362</u>	<u>230,129</u>	<u>632,266</u>	<u>946,757</u>	<u>3,682,920</u>
Total net position - ending	<u>\$ 252,482</u>	<u>\$ 187,753</u>	<u>\$ 515,021</u>	<u>\$ 955,256</u>	<u>\$ 2,345,539</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, 2014

	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Supervision fee receipts	\$ 1,709,691	\$ -	\$ -	\$ 1,709,691	\$ -
Fee receipts	(350)	3,757,019	192,200	3,756,669	-
Other revenue	-	-	-	-	167,668
Receipts of interest	191	-	-	191	-
Payments to employees	(800,136)	(234,600)	(44,859)	(1,034,736)	-
Payments for fringe benefits	(184,984)	(57,819)	(11,733)	(242,803)	(10,452)
Payments to vendors	(371,766)	(3,468,656)	(69,202)	(3,840,422)	(280,910)
Payments for indirect costs	(178,549)	(53,748)	(10,803)	(232,297)	-
Net Cash Provided by Operating Activities	<u>174,097</u>	<u>(57,804)</u>	<u>55,603</u>	<u>116,293</u>	<u>(123,694)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds			632,265		
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>632,265</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(134,803)	(134,803)	-
Proceeds from sale of capital assets	-	-	-	-	182,876
Transfer to other funds	-	-	(183,584)	(183,584)	-
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(318,387)</u>	<u>(318,387)</u>	<u>182,876</u>
Net Increase in Cash and Cash Equivalents	174,097	(57,804)	369,481	116,293	59,182
Balance - beginning of the year	<u>99,635</u>	<u>224,432</u>	<u>-</u>	<u>324,067</u>	<u>2,388,554</u>
Balances - end of the year	<u>\$ 273,732</u>	<u>\$ 166,628</u>	<u>\$ 369,481</u>	<u>\$ 440,360</u>	<u>\$ 2,447,736</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 168,120	\$ (42,376)	\$ (117,245)	\$ 125,744	\$ (1,337,381)
Adjustments:					
Depreciation expense	2,000	7,310	26,961	36,271	1,323,138
Transfers to other funds	-	-	183,584	183,584	-
Change in assets and liabilities:					
(Increase) decrease in grants receivable	-	(20,400)	(37,912)	(58,312)	(18,040)
(Increase) decrease in payroll receivables	-	-	-	-	(117,242)
(Increase) decrease in prepaid expenditure	-	-	-	-	(2,610)
Increase (decrease) in accounts payable	(623)	9,343	-	8,720	1,947
Increase (decrease) in accrued expenses	4,600	(11,681)	215	(6,866)	26,494
Increase (decrease) in deferred revenue	-	-	-	-	-
Net Cash Provided by Operating Activities	<u>\$ 174,097</u>	<u>\$ (57,804)</u>	<u>\$ 55,603</u>	<u>\$ 289,141</u>	<u>\$ (123,694)</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Public Guardian	HUD Escrow
<u>ASSETS</u>		
Cash and cash equivalents	\$ 286,266	\$ 20,702
Other receivables	-	848
Investments, at fair value:		
Investment accounts	727,623	-
Land and buildings	1,043,700	-
Total assets	2,057,589	21,550
 <u>LIABILITIES</u>		
Accounts payable	5,513	-
Assets held for others	-	-
Total liabilities	5,513	-
 <u>NET POSITION</u>		
Held in trust	\$ 2,052,076	\$ 21,550

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, 2014

	<u>Public Guardian</u>	<u>HUD Escrow</u>
ADDITIONS		
Contributions	\$ 167,019	\$ 8,610
Trust account income	359,853	-
Other revenue	3,115	-
Interest	131	3
Total additions	<u>530,118</u>	<u>8,613</u>
DEDUCTIONS		
Distributions from escrow	-	3,903
Forfeitures/Moveout	-	16,420
Nursing home/residential care	376,767	-
Legal	71,926	-
Living expenses	56,898	-
Burial expenses	24,395	-
Medical and dental	23,206	-
Fees transfer	16,443	-
Taxes	3,142	-
Insurance	243	-
Furnishings	1,094	-
Other expenses	16,662	-
Distributions to beneficiaries	390,734	-
Total deductions	<u>981,510</u>	<u>20,323</u>
Net position - beginning of year	2,503,468	33,260
Net position - end of year	<u>\$ 2,052,076</u>	<u>\$ 21,550</u>

See accompanying notes to the financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 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 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, 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 - 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 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.

Another of these fiduciary responsibilities is to provide payee supportive services through the SSI Representative Payee program ("SSI Payee"). Although this program was phased out in fiscal year 2011, there are still a few residual accounts that will be closed by the end of fiscal year 2013.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Misdemeanor Program, 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.

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, 2014. The allowance for uncollectible accounts for other receivables was \$50,000 at June 30, 2014.

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 represent funds held by the East Tennessee Foundation in the agency's name.

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

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: DEFERRED COMPENSATION PLAN

The agency offers its employees a tax deferred annuity plan, ETHRA Tax Sheltered Annuity 403b. 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. ETHRA is the plan administrator. The plan advisors are Rather and Kittrell. The plan custodian is Unified Trust.

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 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 employees until termination, death, or unforeseeable emergency. The plan now has a three year vesting period for new employees. During the vesting period, the matching amount is applied to the employee's account, but is not available to the employee until they are fully vested. Employee deferrals for the year ended June 30, 2014, were \$363,578 and ETHRA's matching contribution was \$266,093.

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 \$960,535 in fiscal year 2014. The contingent lease payments for fiscal year 2015 amount to \$933,995.

NOTE 7: CAPITAL ASSETS

Governmental activities' capital asset changes for the year ended June 30, 2014 were as follows:

	Balance 07/01/13	Additions	Deletions	Balance 06/30/14
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Buildings Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,333,028	-	(13,619)	2,319,409
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	7,280,711	47,272	(1,508,517)	5,819,466
Total other capital asset at cost	11,087,850	47,272	(1,522,136)	9,612,986
Less accumulated depreciaton for:				
Buildings Total	(316,565)	(38,947)	-	(355,512)
Furniture & Equipment Total	(1,689,894)	(335,558)	11,313	(2,014,139)
Leasehold improvements Total	(207,945)	(9,450)	-	(217,395)
Vehicles Total	(3,971,795)	(1,077,565)	1,282,159	(3,767,201)
Total accumulated depreciation	(6,186,199)	(1,461,520)	1,293,473	(6,354,247)
Governmental capital assets net	4,901,651	(1,414,248)		3,258,739
Business-type capital assets:				
Vehicles	94,150	134,803		228,953
Accumulated depreciation	(71,457)	(54,891)	18,620	(107,728)
Business-type capital assets, net	22,693	79,912	18,620	121,225
Total capital assets	\$ 4,956,958	\$ (1,334,336)	\$ 18,620	\$ 3,412,578

Depreciation expenses for the year ended June 30, 2014 was charged to programs/functions as follows:

	Depreciation
Administration	\$ 61,130
Aging	8,524
Child development	4,301
Corrections and probation	20,772
Housing and restoration	6,912
Transportation	1,367,162
Workforce development	11,340
Total depreciation and capital expenses governmental activities	1,480,140
HUD housing choice voucher	7,310
Oak Ridge Transit	26,961
Misdemeanor	2,000
Total depreciation and business-type activities	36,271
	<u>\$ 1,516,411</u>

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. 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 Position 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 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 listed 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 FY14.

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 \$1,117,125 at June 30, 2014. 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

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 provides for refunds to members and additional member assessments. Additional member assessments are based on the experience of the pool. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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 \$420 and \$1,046 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, 2014

	General	Aging	ETHRA Aging	Workforce Development	Title V	LIHEAP WAP	Transportation Call Center	Community Corrections	Child Care Food	Homemaker	Mountain Valley	AIDS Support	SSI Payee	Loan	Total
EXPENDITURES															
Current:															
Salaries	\$ 1,144,258	\$ 1,119,158	\$ 495,263	\$ 1,470,888	\$ 85,371	\$ 216,366	\$ 4,426,036	\$ 1,022,741	\$ 93,021	\$ 289,400	\$ 204,824	\$ 103,771	\$ -	\$ -	\$ 10,671,097
Fringe Benefits	291,895	278,556	108,647	331,319	20,643	54,009	1,003,928	271,444	23,100	72,291	52,611	24,578	-	-	2,533,021
Professional Fees	201,614	142,629	43,426	20,375	1,592	2,320	707,992	2,788	1,749	747	529	1,192	-	2,163	1,129,116
Supplies	202,205	9,359	29,994	63,484	188	1,681	102,104	19,037	1,983	8,372	1,649	2,514	-	181	442,751
Telephone	46,319	27,542	14,097	80,401	3,075	5,023	202,458	49,126	2,876	9,369	8,138	3,618	-	-	452,042
Postage and Freight	4,752	3,407	2,363	7,959	1,711	9,523	2,875	2,645	1,622	72	1,203	1,346	-	-	39,458
Equipment Rental															
& Maintenance	121,884	12,167	10,456	36,597	1,131	6,265	43,775	13,230	2,494	4,315	4,422	1,071	-	215	258,022
Printing & Publications	6,872	2,507	1,475	9,572	175	1,867	12,371	2,392	335	529	952	254	-	-	39,301
Travel, Training, Conferences	111,303	103,008	72,915	85,201	5,111	24,951	48,099	102,207	10,357	75,366	23,541	21,645	-	-	683,704
Insurance	6,691	13,422	10,498	20,574	1,020	3,696	275,754	39,268	2,356	3,070	4,061	1,223	-	-	381,633
Occupancy	129,391	92,905	44,750	476,248	5,389	13,395	145,210	118,168	8,052	18,175	17,293	9,563	-	-	1,078,539
Fuel & Maintenance	-	-	-	-	-	-	1,662,256	-	-	-	-	-	-	-	1,662,256
Grants & Allocations	-	2,765,884	-	26,555	-	-	-	-	887,091	-	-	340,790	-	-	4,020,320
Participant	-	1,939,296	224,868	1,164,172	967,482	1,993,709	10,449	11,201	-	-	45,994	355,389	8,669	-	6,721,229
Capital Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	52,472	52,472
Other	17,313	34,546	15,045	49,513	168	1,445	40,826	2,199	1,704	1,857	595	6,678	30,250	4,953	207,092
Indirect cost allocation	(2,281,754)	263,085	114,632	280,742	19,885	50,660	1,025,793	120,004	21,949	67,725	50,007	24,173	-	-	(243,099)
In-Kind	-	88,424	203,573	26,485	140,171	-	-	-	-	-	-	-	-	-	458,653
Total expenditures	2,723	6,895,895	1,392,002	4,150,085	1,253,112	2,384,910	9,709,926	1,776,450	1,058,689	551,288	415,819	897,805	38,919	59,984	30,587,607
OTHER FINANCING SOURCES (USES)															
Transfers - match	131,955	896,557	(907,853)	252,635	-	(17,397)	(424,326)	-	(252,635)	(107,236)	-	(250)	-	18,099	(410,451)
Total other financing sources (uses)	131,955	896,557	(907,853)	252,635	-	(17,397)	(424,326)	-	(252,635)	(107,236)	-	(250)	-	18,099	(410,451)
Total expenditures	\$ 134,678	\$ 7,792,452	\$ 484,149	\$ 4,402,720	\$ 1,253,112	\$ 2,367,513	\$ 9,285,600	\$ 1,776,450	\$ 806,054	\$ 444,052	\$ 415,819	\$ 897,555	\$ 38,919	\$ 78,083	\$ 30,177,156

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Schedule of Agency Funds
June 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 17,059
Total assets	<u>\$ 17,059</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 443
Assets held for others	<u>16,616</u>
Total liabilities	<u>\$ 17,059</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>ASSETS</u>				
Contributions from employees	\$ 16,992	\$ 17,336	\$ 17,269	\$ 17,059
Total assets	<u>\$ 16,992</u>	<u>\$ 17,336</u>	<u>\$ 17,269</u>	<u>\$ 17,059</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 184	\$ 1,260	\$ 1,001	\$ 443
Employee volunteer/Assets held for others	<u>16,808</u>	<u>18,482</u>	<u>18,674</u>	<u>16,616</u>
Total liabilities	<u>\$ 16,992</u>	<u>\$ 19,742</u>	<u>\$ 19,675</u>	<u>\$ 17,059</u>

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, 2014

	<u>Public Guardian</u>	<u>HUD Escrow</u>
ADDITIONS		
Client/Escrow assets transferred	\$ 167,019	\$ 8,610
Retirement/disability income	309,575	-
Gain on sale of property	46,283	-
Other income	321	-
Tax refunds/stimulus payments	3,995	-
Interest income	131	3
Total additions	<u>527,324</u>	<u>8,613</u>
DEDUCTIONS		
Distributions from escrow	-	3,903
Forfeitures/Moveout	-	16,420
Nursing home/residential care	376,767	-
Legal	71,926	-
Living expenses	56,549	-
Burial expenses	24,395	-
Medical and dental	23,206	-
Fees transfer	16,443	-
Taxes	3,142	-
Insurance	(2,552)	-
Furnishings	1,094	-
Other expenses	17,012	-
Distributions to beneficiaries	390,734	-
Total deductions	<u>978,716</u>	<u>20,323</u>
Net decrease in net assets	(451,392)	(11,710)
Net assets - beginning of year	<u>2,503,468</u>	<u>33,260</u>
Net assets - end of year	<u>\$ 2,052,076</u>	<u>\$ 21,550</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2014

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2013	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pyments made to State	Balance June 30, 2014
* 93.044	37478	Aging Services - III-B	TN Commission on Aging	136,680	\$ 1,152,900	-	(1,034,006)	-	-	255,574
* 93.044	37478	Aging Services - III-B	TN Commission on Aging	(83,791)	83,791	-	-	-	-	-
* 93.045	37478	Aging Planning - III-C adm	TN Commission on Aging	190,959	80,541	-	(149,475)	-	-	122,025
* 93.045	37478	Aging Planning - III-C adm	TN Commission on Aging	(23,700)	23,700	-	-	-	-	-
* 93.045	37478	Aging Planning - III-C 1 Con	TN Commission on Aging	37,646	766,059	-	(721,067)	-	-	82,638
* 93.045	37478	Aging Planning - III-C 1 Con	TN Commission on Aging	(17,453)	17,453	-	-	-	-	-
* 93.707	GG-09-28541-00	Aging Planning - III-C 1 Con ARRA	TN Commission on Aging	(1,420)	-	967	(1,298,636)	-	-	(453)
* 93.045	37478	Aging Services - III-C 2HD Nutrition Services	TN Commission on Aging	90,589	1,268,900	-	-	-	-	60,833
* 93.045	37478	Aging Services - III-C 2HD Nutrition Services	TN Commission on Aging	(135,956)	135,956	-	-	-	-	-
* 93.705	GG-09-28541-00	Aging Services - III-C 2HD ARRA Nutrition Service	TN Commission on Aging	(940)	-	645	(75,144)	-	-	(296)
* 93.045	37478	Aging Services - III-D In-home Services PH	TN Commission on Aging	15,610	73,200	-	-	-	-	13,666
* 93.045	37478	Aging Services - III-D In-home Services	TN Commission on Aging	27,689	-	-	-	-	-	27,689
* 93.052	37478	Aging Services - III-E adm	TN Commission on Aging	-	54,900	-	(54,900)	-	-	-
* 93.052	37478	Aging Services - III-E Caregiver	TN Commission on Aging	2,943	460,100	-	(463,042)	-	-	-
* 93.052	37478	Aging Services - III-E Caregiver	TN Commission on Aging	(52,600)	52,600	-	-	-	-	-
* 93.041	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	8,502	12,500	-	(8,733)	-	-	12,269
* 93.042	37478	Aging Services - III-A Title VII	TN Commission on Aging	-	60,700	-	(60,700)	-	-	-
* 93.779	36706	Aging Services - SHIP	TN Commission on Aging	221	9,200	-	(13,462)	-	-	(13,242)
* 93.779	36706	Aging Services - SHIP	TN Commission on Aging	(20,243)	91,607	-	(79,974)	-	-	(8,610)
* 93.053	37478	Aging Services - USDA/NSIP	TN Commission on Aging	629	340,000	-	(340,000)	-	-	629
* 93.053	37478	Aging Services - USDA/NSIP	TN Commission on Aging	(60,900)	60,900	-	-	-	-	-
* 93.778	37478	Aging Services - Medicaid Waiver	TennCare	(56,280)	859,899	(4,000)	(945,511)	-	-	(145,892)
* 93.045	37478	Aging Services - III-E March	TN Commission on Aging	(9,200)	9,200	-	-	-	-	-
* 93.045	37478	Aging Services - III-E March	TN Commission on Aging	133	89,000	-	(89,000)	-	-	-
* 93.045	37478	Senior Centers	TN Commission on Aging	(32,900)	233,000	-	(230,864)	-	-	2,269
* 93.045	37478	Senior Centers	TN Commission on Aging	32,900	32,900	-	-	-	-	-
* 93.045	37478	State Nutrition	TN Commission on Aging	2	134,900	-	(134,899)	-	-	3
* 93.045	37478	State Nutrition	TN Commission on Aging	(12,200)	12,200	-	-	-	-	-
* 93.045	37478	State Homemaker	TN Commission on Aging	(7,500)	7,500	-	-	-	-	-
* 93.045	37478	State Homemaker	TN Commission on Aging	-	72,300	-	(72,300)	-	-	-
* 93.045	37478	State Guardianship	TN Commission on Aging	-	113,400	-	(113,400)	-	-	-
* 93.045	37478	State Aging - Options	TN Commission on Aging	41,881	1,691,300	-	(1,666,563)	-	-	66,617
* 93.045	37478	State Aging - Options	TN Commission on Aging	(78,100)	78,100	-	-	-	-	-
* 93.051	GG-12-37311-00	VDHCS	Greater Nashville	-	-	-	(1,123)	-	-	(1,123)
* 93.051	GG-12-37311-00	AOA -Alzheimer's Innovative	TN Commission on Aging	1	-	(1)	-	-	-	-
* 93.051	GG-12-37311-00	AOA -Alzheimer's Innovative	TN Commission on Aging	(6,633)	22,215	-	(15,582)	-	-	-
* 93.051	GG-11-34128-00	AOA -Alzheimer's Evidence Based	TN Commission on Aging	(2,129)	-	2,129	-	-	-	-
* 93.051	GG-11-34128-00	AOA -Alzheimer's Evidence Based	TN Commission on Aging	(23,553)	107,541	-	(83,988)	-	-	-
* 93.048	GG-11-35350-00	ADRC	TN Commission on Aging	0	-	-	-	-	-	0
* 93.071	39579	PPACA / MPPA	TN Commission on Aging	-	83,239	28,242	(83,239)	-	-	28,242
* 93.071	39579	PPACA / MPPA	TN Commission on Aging	165	-	-	-	(165)	-	-
* 93.048	35293	Care Transition	TN Commission on Aging	(6,972)	21,728	-	(14,756)	-	-	-
* 93.048	35293	Care Transition	TN Commission on Aging	-	22,000	-	(22,000)	-	-	-
* 93.048	35293	LaFollette Medical Foundation	TN Commission on Aging	-	-	-	-	-	-	-
84.002		Career Centers - Adult Ed	TN Department of Labor and Workforce Development	(17,971)	127,875	-	(131,274)	-	-	(21,371)
17.207		Career Centers - DOL	TN Department of Labor and Workforce Development	(43,542)	121,931	-	(93,313)	-	(41)	(14,965)
17.207		Career Centers - VR	TN Department of Human Services	(2,139)	11,554	-	(10,478)	-	-	(1,063)
17.207		Career Centers - WIA Partners	TN Department of Labor and Workforce Development	(2,720)	12,692	-	(12,390)	-	-	(2,418)

East Tennessee Human Resource Agency, Inc.
Schedule of Grant Activity
For Year Ended June 30, 2014

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2013	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2014
17.235		Career Centers - Pass Thru	TN Department of Labor and Workforce Development	(6,193)	38,616		(39,373)			(6,950)
		Career Centers - TDVA	TN Department of Labor and Workforce Development	(1,074)	9,815		(10,187)		(45)	(1,490)
10.558	034764544009	Child Care Centers (CCFP)	TN Department of Human Services	(28,298)	111,529		(106,665)			(23,434)
10.558	034760135002	Child Care Food Program	TN Department of Human Services	(40,386)	444,086		(442,735)			(39,035)
		Child Protective Services Contracts	Child & Family Services/ETCSA	(1,665)	8,708		(19,459)			(12,415)
	GG 11-32016-00	Community Corrections	TN Board of Probation and Parole	(219,464)	219,464					(0)
		Community Corrections	TN Board of Probation and Parole		1,537,951		(1,638,048)			(100,097)
	GG-12-35143-00	Community Early Intervention	TN Department of Children's Services	(48,022)	156,428		(145,434)			(37,028)
	Z 05-020696-00	Community Services Block Grant-Advance	Mountain Valley EOA	18,107						18,107
	Z 13-49113	Community Services Block Grant	Mountain Valley EOA	(83,910)	416,837		(566,562)			(55,616)
97.024	28-7616-00	EPS - Anderson	Federal Emergency Management Agency	-	1,991		(1,991)			-
97.024	28-7640-00	EPS - Claiborne	Federal Emergency Management Agency	-	1,520		(1,520)			-
97.024	28-7754-00	EPS - Morgan	Federal Emergency Management Agency	-	2,351		(2,351)			-
93.667	GG 10-38530-00	Homemaker - Adult Protective Services - Advance	TN Department of Human Services	23,544						23,544
93.667	GG 13-49301-00	Homemaker - Adult Protective Services	TN Department of Human Services	(27,108)	27,108					-
93.667	Z-14-49301-00	Homemaker - Adult Protective Services	TN Department of Human Services	-	333,437		(423,304)			(89,867)
14.871	A 3858	Housing Assistance Payments Program	US Dept of Housing & Urban Development	(5,600)	3,686,280		(3,692,680)	(14,000)		(26,000)
14.871	TN 1131VOEP02	FSS Housing	US Dept of Housing & Urban Development	-	34,457		(34,457)			-
93.568	Z 12-000207	Low-Income Energy Assistance Program	TN Department of Human Services	(101,416)	576,327		(474,911)			-
93.568	LIHEAP-14-07	Low-Income Energy Assistance Program	THDA	-	1,408,374		(1,555,000)			(146,627)
14.241	GR 12-36126-00	HOPWA	TN Department of Health	(12,007)	249,502		(262,101)			(24,607)
93.917	GR 12-38248-00	Provision of HIV Consortia Services	TN Department of Health	(94,371)	539,300		(496,060)			(51,131)
93.940	GG 12-37687-00	Provision of HIV Prevention Services (RAC)	TN Department of Health	(25,597)	164,959		(149,936)			(10,574)
20.521	Z-09-215661-00	Section 5317 New Freedom (Morristown)	TN Department of Transportation	(125,013)	125,013					-
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-11-36523-00	Section 5309 Capital (\$561K)	TN Department of Transportation	(241,560)	245,940		(4,380)			-
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)	220,314		(159,717)			(38,640)
20.509	Z-09-219908-00	Transportation - ARRA - Capital	TN Department of Transportation	-	13,821		(13,821)			-
20.521	Z 09-215669-01	Section 5317 New Freedom (\$165K)	TN Department of Transportation	(20,598)	20,598					-
20.509	Z-13-RT0002-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation	(387,884)	387,884					-
20.509	GG-14-37648-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		514,893		(514,893)			-
20.516	GG-14-37333-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		171,700		(171,700)			-
20.509	Z-14-RT0002-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		2,406,515		(3,247,334)			(840,820)
20.516	Z 09-215700-00	Job Access - FY07 \$33K	TN Department of Transportation	(26,533)	26,533					-

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2014

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	Balance July 1, 2013	Cash Receipts	Transfers In	Expenditures	Transfers Out	Pymts made to State	Balance June 30, 2014
* 20.516	GG-11-34173-00	Job Access - FY 2010	TN Department of Transportation	7,674	7,674					-
NA	GG-13-34950-00	BOPP	TN Department of Transportation	(1,890)	17,890		(16,000)			-
20.509	GG-11-34170-00	New Freedom \$317 (capital-mobility grant)	TN Department of Transportation		38,941		(51,840)			(12,900)
20.509	GG-11-32587-00	Section 5309 Capital (\$1,53K)	TN Department of Transportation		661		(661)			-
20.516	GG-10-31546-00	Job Access (FY08-09 capital \$39K and program \$527 TN Department of Transportation	FTA		53,354		(53,354)			-
20.507	TN-90-X372-00	\$307 Urban Operating Assistance UZA-Knoxville	FTA				(353,000)			(353,000)
20.507	TN-90-X373-00	\$307 Urban Operating Assistance UZA-Morristown	FTA				(389,092)			(389,092)
10.559	30018	Summer Food Service Program	TN Department of Human Services	(278,672)	651,676		(479,164)		(195)	(106,355)
10.568	83265	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture	(19,880)	48,391		(30,784)			(2,273)
* 17.255		Title V - SCSEP	TN Department of Labor and Workforce Development	-	273,424		(308,672)			(35,248)
17.255	312	SSAI Senior Employment	Senior Service America Inc	(182,406)	860,829		(804,269)			(125,846)
* 81.042	WAP-12-05	Weatherization Assistance	TN Department of Human Services	(54,464)	121,936		(67,472)			-
* 17.259	GG-12-55235	Workforce Investment Act (work keys)	TN Department of Labor and Workforce Development	(6)				6		-
* 17.258	LW04P121YOUTH13	Workforce Investment Act	TN Department of Labor and Workforce Development	(386,756)	724,265		(471,991)			(34,482)
* 17.278	LW04F131ADULT13	Workforce Investment Act	TN Department of Labor and Workforce Development	(147,300)	455,370		(308,070)			-
17.278	LW04F131DSLWK13	Workforce Investment Act	TN Department of Labor and Workforce Development	(111,726)	398,410		(286,683)			-
17.278	LW39F122ICRSP12	Workforce Investment Act	TN Department of Labor and Workforce Development		5,280		(5,280)		(1,686)	-
17.278	LW39F131HWRSP13	Workforce Investment Act	TN Department of Labor and Workforce Development		24,934		(23,247)			-
17.267	LW39P111NCNTV12	Workforce Investment Act	TN Department of Labor and Workforce Development		1,280		(1,280)			-
84.002A	LWN12F14IAESD15	Workforce Investment Act	TN Department of Labor and Workforce Development		24,924		(24,831)		(95)	-
17.259	LW04P131YOUTH14	Workforce Investment Act	TN Department of Labor and Workforce Development		154,533		(188,542)			(34,009)
17.258	LW04P131ADULT14	Workforce Investment Act	TN Department of Labor and Workforce Development		842,886		(885,444)			(42,558)
17.278	LW04F141ADULT14	Workforce Investment Act	TN Department of Labor and Workforce Development		27,996		(27,996)			-
17.278	LW04F131DSLWK14	Workforce Investment Act	TN Department of Labor and Workforce Development		143,553		(143,553)			-
17.258	LW04F141ADULT14	Workforce Investment Act	TN Department of Labor and Workforce Development		629,002		(749,422)			(120,419)
84.002A	LWN12F12IAESD13	Workforce Investment Act	TN Department of Labor and Workforce Development		417,999		(519,545)			(101,546)
17.267	LW39P112NCNTV12	Workforce Investment Act	TN Department of Labor and Workforce Development		9,224		(42,718)			(42,718)
17.278	LW39F131HWRSP13	Workforce Investment Act	TN Department of Labor and Workforce Development		1,000		(11,498)			(2,274)
17.259	LW04P141YOUTH15	Workforce Investment Act	TN Department of Labor and Workforce Development				(1,000)			-
			TN Department of Labor and Workforce Development				(96,801)			(96,801)
Totals				\$ (3,500,202)	\$ 29,345,930	\$ 26,371	\$ (28,323,188)	\$ (26,010)	\$ (2,060)	\$ (2,479,159)

*Major Federal Assistance Program

- (1) Represents amounts due from grantees and contracts
- (2) Represents advances from grantees
- (5) Represents unearned grantor revenue

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 SCHEDULE OF NON-CASH ASSISTANCE (1)
 FOR THE YEAR ENDED JUNE 30, 2014

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

	GRANT # 83265-28306	GRANT # 83265-35742	TOTALS
<u>CFDA #</u>	10.550	10.550	
<u>PROGRAM NAME</u>	Emergency Food Distribution Program	Emergency Food Distribution Program	
<u>GRANTOR AGENCY</u>	Tennessee Department of Agriculture	Tennessee Department of Agriculture	
<u>Balance 7/1/2013</u>	\$ 78,062	\$ -	\$ 78,062
<u>Receipts</u>	\$ 41,516	\$ 144,427	\$ 185,943
<u>Change in USDA Rate (2)</u>	\$ 911	\$ (6,725)	\$ (5,815)
<u>Other Additions (3)</u>	\$ -	\$ 124	\$ 124
<u>Commodities Distributed</u>	\$ 67,434	\$ 119,690	\$ 187,124
<u>Other Deductions (4)</u>	\$ -	\$ 4	\$ 4
<u>Balance 6/30/2014</u>	<u>\$ 53,055</u>	<u>\$ 18,131</u>	<u>\$ 71,186</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 6/30/2014.

(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 (1)
For the Year Ended June 30, 2014

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	\$ 30,784
Passed through Tennessee Department of Human Services:		
Child and Adult Care Food Program	10.558	549,400
Summer Food Service Program for Children	10.559	479,164
		<u>1,059,348</u>
U.S. Department of Housing and Urban Development:		
Section 8 Rental Voucher Program	14.871	3,727,137
Passed through Tennessee Department of Health:		
Housing Opportunities for Persons with Aids	14.241	262,101
		<u>3,989,238</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	116,181
Career Centers-Pass Thru	17.235	39,373
Senior Community Service Employment-State	17.235	308,672
Senior Community Service Employment-SSAI	17.235	804,269
Workforce Investment Act Adult Program	17.258	1,085,488
Workforce Investment Act Youth Activities	17.259	1,454,236
Workforce Investment Incentive Grants	17.267	36,330
Workforce Investment Act Dislocated Worker Formula	17.278	980,589
		<u>4,825,138</u>
U.S. Department of Transportation:		
Passed through Tennessee Department of Transportation:		
Federal Transit_Capital Investment Grants	20.500	4,380
Federal Transit_Formula Grants	20.507	742,092
Formula Grants for Other Than Urbanized Areas	20.509	3,828,550
Job Access_Reverse Commute	20.516	384,771
		<u>4,959,793</u>
U.S. Department of Energy:		
Weatherization Assistance for Low-income Persons	81.042	67,472
		<u>67,472</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	131,274
Adult Education	84.002A	231,260
		<u>362,534</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	5,862
		<u>5,862</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	8,733
Special Programs for the Aging, Title VII, Chapter 2	93.042	60,700
Special Programs for the Aging, Title III, Part D	93.043	75,144
Special Programs for the Aging, Title III, Part B	93.044	1,034,006
Special Programs for the Aging, Title III, Part C	93.045	2,258,178
Special Programs for the Aging, Title IV and Title III	93.048	14,756
Alzheimer's Disease Demonstration Grants	93.051	99,570
National Caregiver Support, Title III, Part E	93.052	517,942
Nutritional Services Incentive Program	93.053	340,000
		<u>4,409,029</u>
Passed through Tennessee Department of Human Services:		
Low Income Heating and Energy Assistance Program	93.568	2,029,911
Community Services Block Grant	93.569	366,562
Social Services Block Grant	93.667	423,304
		<u>2,819,777</u>
Passed through Tennessee Department of Health:		
HIV Care Formula Grants - Consortia Services	93.917	496,060
HIV Prevention Activities	93.940	149,936
		<u>645,996</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	79,974
PPACA / MIPPA	93.071	83,239
		<u>163,213</u>
Passed through TennCare		
Medical Assistance Program	93.778	945,511
		<u>945,511</u>
Total Federal		<u>24,252,911</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

Federal/Pass-through Agency/Program Title	CFDA Number	
State and Local Grants:		
Child Protective Services	N/A	19,459
Community Corrections	N/A	1,638,048
Community Intervention Services	N/A	145,434
Senior Centers	N/A	230,864
State Guardianship	N/A	113,400
State Homemaker	N/A	72,300
State Nutrition	N/A	134,899
State Aging - Options	N/A	1,666,563
VDHCS	N/A	1,123
Transportation BOPP	N/A	16,000
LaFollette Medical Foundation	N/A	22,000
Career Centers - TDVA	N/A	10,187
Total State and Local		<u>4,070,277</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with Generally Accepted Accounting Principles

\$ 28,323,188

**East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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	Yes
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	\$727,587
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Rental Voucher Program
17.235	Title V SCSEP
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.278	Workforce Investment Act Dislocated Worker
20.507	Federal Transit Formula Grants
20.509	Federal Grants for Other Than Urbanized Areas
93.044	Special Programs for Aging Title III Part B
93.045	Special Programs for Aging Title III Part C
93.568	Low Income Heating and Energy Assistance
93.778	Medical Assistance TennCare

**East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Significant Deficiencies

14-01 - Weatherization

The program manager utilized management override of established internal controls to circumvent the bid process related to awarding construction contracts for the weatherization program.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of Directors
East Tennessee Human Resource Agency, Inc.

We have audited, 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, 2014, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated December 5, 2014.

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.

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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See finding 14-01.

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*.

ETHRA'S Response to Finding

ETHRA's response to the finding 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 the financial statements, and accordingly, we express no opinion on it.

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.

Craine Thompson & Jones, P.C.

Morristown, Tennessee
December 5, 2014

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
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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, 2014. 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, 2014.

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.

Craige Thompson & Jones, P.C.

Morristown, Tennessee
December 5, 2014