

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Financial Statements
and Supplementary Information

Year Ended June 30, 2020



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Financial Statements
and Supplementary Information
Year Ended June 30, 2020

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INTRODUCTORY SECTION (UNAUDITED)



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Gary Holiway, Executive Director
Board of Directors and Policy Council
Year Ended June 30, 2020

Anderson County

- * County Mayor Terry Frank
- Mayor Scott Burton
- Mayor Tim Sharp
- Mayor Chris Mitchell
- Mayor Warren Gooch
- Mr. Tim Thompson
- ** Mr. Thomas Byrge

Blount County

- County Mayor Ed Mitchell
- Mayor Ron Palewski
- * Mayor Tom Taylor
- Mayor Tom Bickers
- Mayor Odis Abbott, Jr.
- Mayor Carl Koella
- Mayor Andy Lawhorn
- ** Ms. Tammy Pirie
- Mr. Bryan Daniels

Campbell County

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

Claiborne County

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

Cocke County

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

General Assembly

Senator Richard Briggs
Representative Kent Calfee

Grainger County

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

Hamblen County

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

Jefferson County

- *+ County Mayor Mark Potts,
Secretary
- Mayor Donna Hernandez
- Mayor George Gantte
- Mayor Mitch Cain
- Mayor Beau Tucker
- Mayor Glenn Warren, Jr.
- Ms. Leann Sutton
- ** Ms. Ronda Davis

Knox County

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

Loudon County

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

Monroe County

- * County Mayor Mitch Ingram
- Mayor Glenn Moser
- Mayor Doyle Lowe
- Mayor Patrick Hawkins
- Mayor Bob Lovingood
- Mr. Bryan Hall
- Mr. Richard Kirkland
- ** Ms. Stacy Chambers

Morgan County

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

Roane County

- *+ County Executive Ron Woody,
Chair
- Mayor Wayne Best
- Mayor Tim Neal
- Mayor Omer Cox
- Mayor Mike Miller
- ** Mr. Jerry Johnson

Scott County

- * County Mayor Jeff Tibbals
- Mayor Dennis Jeffers
- Mayor Jack Lay
- Mayor Opal Anderson
- Mr. David Cross

Sevier County

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

Union County

- * County Mayor Jason Bailey
- * Mayor Marty Smith
- Mayor Jerry Lawson
- Mayor Gary Chandler

Key

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

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ETHRA as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ETHRA's basic financial statements. The introductory section and the supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state grants is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other financial information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2021, on our consideration of ETHRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ETHRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ETHRA's internal control over financial reporting and compliance.

Roderic Moss & Co, PLLC

Knoxville, Tennessee
February 4, 2021

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis
Year Ended June 30, 2020

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, 2020. ETHRA's financial performance is presented and analyzed within the context of the accompanying financial statements with appropriate disclosures, following this section.

Overview of the Basic Financial Statements

The basic financial statements are comprised of four sections:

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

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

For the government-wide financial statements, the primary change for ETHRA is the presentation of all capital assets with calculated depreciation. The financial records retain some capital assets as completely expended to grants when purchased, while the majority of the assets are tracked in the Internal Service Funds, which allows for the tracking of depreciation. By separating capital from operations, a clearer picture of operations can be reported. The historical costs of all capital assets are included on the Statement of Net Position (net of calculated accumulated depreciation). The current year calculated depreciation is included in the Statement of Activities. Current year capital expenditures are removed to prevent duplicate measurement. The effects of this change are reconciled on the 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 includes ETHRA administration and unrestricted resource management.

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

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

The Proprietary Fund financial statements present all business-like activities. ETHRA operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, House and Urban Development (“HUD”) Housing Choice Voucher (“HCV”) Program, which administers housing vouchers to eligible people for rental assistance and Transportation Enterprise, which includes fixed contracts for transportation services. These activities are reported as business-like activities for the year ended June 30, 2020.

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

The Fiduciary Fund financial statements present all trust and agency activities. These are activities that are solely for the benefit of other designated parties. The Public Guardian Trust and HUD Family Self Sufficiency Escrow are fiduciary activities of ETHRA. The nature of operating grants and social media programs require great attention to available cash. Many of the grants and programs operate on a reimbursement basis. In those cases, cash is needed to fund operations for a time until the reimbursement is received. Therefore, it is critical to manage available cash to ensure that programs can continue operating when services are needed.



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

Analysis of Financial Position

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
Assets			
Cash and cash equivalents and investments	\$ 4,370,629	\$ 2,431,960	\$ 1,938,669
Capital assets (net of accumulated depreciation)	3,660,504	3,370,534	289,970
Receivables from grantors, contractors, and others	9,960,265	10,496,383	(536,118)
Prepaid expenses and deposits	479,785	496,826	(17,041)
Total Assets	<u>18,471,183</u>	<u>16,795,703</u>	<u>1,675,480</u>
Liabilities			
Accounts payable	3,183,867	4,444,458	(1,260,591)
Accrued expenses	3,726,650	3,138,807	587,843
Total Liabilities	<u>6,910,517</u>	<u>7,583,265</u>	<u>(672,748)</u>
Net Position			
Investment in capital assets	3,660,504	3,370,534	289,970
Restricted net position	5,816,250	1,722,562	4,093,688
Unrestricted net position	2,083,912	4,119,342	(2,035,430)
Total Net Position	<u>\$ 11,560,666</u>	<u>\$ 9,212,438</u>	<u>\$ 2,348,228</u>
Revenues			
Operating grants and contributions	\$ 38,121,784	\$ 35,686,880	\$ 2,434,904
Charges for services	8,583,340	8,911,215	(327,875)
Assessment to local governments	267,490	267,490	-
Total Revenues	<u>46,972,614</u>	<u>44,865,585</u>	<u>2,107,029</u>
Expenses			
General government	15,324	124,831	(109,507)
Aging	8,340,144	7,985,559	354,585
ETHRA aging	1,087,395	1,156,126	(68,731)
Transportation	10,631,914	11,105,600	(473,686)
Workforce development	7,454,252	8,075,707	(621,455)
Housing and restoration	3,115,499	4,292,001	(1,176,502)
Title V	1,105,925	1,091,032	14,893
Corrections and probation	1,834,627	1,837,170	(2,543)
Child and family assistance	4,922,565	2,921,773	2,000,792
Homemaker	474,333	497,168	(22,835)
Mountain Valley	452,748	437,616	15,132
Loan	58	211	(153)
Misdemeanor	1,377,970	1,322,742	55,228
Transportation Enterprise	135,568	157,639	(22,071)
HUD Housing Choice Voucher	3,676,059	3,920,812	(244,753)
Total Expenses	<u>44,624,381</u>	<u>44,925,987</u>	<u>(301,606)</u>
Transfers	(5)	-	(5)
Change in Net Position	<u>\$ 2,348,228</u>	<u>\$ (60,402)</u>	<u>\$ 2,408,630</u>

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

In addition to the issue of reimbursement, many grants and contracts require a cash match as a condition of operating the grant. The only form of unrestricted cash available to ETHRA is the assessments to the counties served by ETHRA and undesignated donations. In 2020, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Program Highlights

ETHRA had an increase in net position of \$2,348,233 and a total net position of \$11,560,666. Overall, during FY20, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget.

ETHRA received grants with various agencies of the State of Tennessee and other grantors for CARES / COVID funding for several programs. Most of the CARES/COVID grant activity began in fiscal year 2020 and will be completed in fiscal year 2021. These grants are tracked and reported on separate lines on the Grant Schedule.

ETHRA Transportation Program had a surplus of \$1,312,838 due to CARES funding. Typical funding requires a cash match. However, for the CARES funding this requirement was lifted and there was no cash match. The CARES grants go through August 31, 2021. Transportation is expected to continue a positive fund balance in FY21.

ETHRA Community Corrections Program had a deficit of \$16,060 due to a decrease in supervision fee collections. As a result from COVID-19, staff temporarily stopped meeting clients face to face. Staff contacted clients by phone calls, texts or SKYPE, therefore supervision fees weren't being collected. Expenses and supervision fee collections will be monitored to minimize future deficits.

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

Economic Factors and Next Fiscal Year

ETHRA contracts primarily with agencies within the State of Tennessee. As various economic factors impact the state, federal, and local governments, ETHRA can be affected by the amounts of funding available through grants and contracts. Although effects can be positive or negative due to the economic environment, there are some concerns related to on-going fiscal discussions in Washington. As a result, ETHRA's overall operations are expected to decrease slightly.

Contact Information

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

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,813,619	\$ 536,963	\$ 4,350,582
Investments	20,047	-	20,047
Receivables, net of allowance for uncollectible accounts	9,349,623	22,525	9,372,148
Loans receivable	588,117	-	588,117
Deposits	9,744	-	9,744
Prepaid expenditures	470,041	-	470,041
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	671,643	-	671,643
Furniture and equipment	91,860	-	91,860
Vehicles	2,829,888	34,499	2,864,387
Total capital assets, net	<u>3,626,005</u>	<u>34,499</u>	<u>3,660,504</u>
Total assets	<u>\$ 17,877,196</u>	<u>\$ 593,987</u>	<u>\$ 18,471,183</u>
Liabilities			
Accounts payable	\$ 3,170,921	\$ 12,946	\$ 3,183,867
Accrued expenses	<u>3,723,178</u>	<u>3,472</u>	<u>3,726,650</u>
Total liabilities	<u>6,894,099</u>	<u>16,418</u>	<u>6,910,517</u>
Net Position			
Investment in capital assets	3,626,005	34,499	3,660,504
Restricted for:			
THDA - House Loan	1,157,238	-	1,157,238
MVEOA	228,799	-	228,799
East Tennessee Foundation Investment	20,047	-	20,047
Human Resource Services	4,410,166	-	4,410,166
Unrestricted	<u>1,540,842</u>	<u>543,070</u>	<u>2,083,912</u>
Total net position	<u>\$ 10,983,097</u>	<u>\$ 577,569</u>	<u>\$ 11,560,666</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
	Direct	Indirect	Charges for Services	Operating Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General government	\$ 2,325,732	\$ (2,310,408)	\$ -	\$ 786,162	\$ 770,838	\$ -	\$ 770,838
Aging	7,959,705	380,439	38,567	9,169,188	867,611	-	867,611
ETHRA Aging	994,318	93,077	84,865	143,722	(858,808)	-	(858,808)
Transportation	9,432,217	1,199,697	2,812,019	8,602,831	782,936	-	782,936
Workforce development	7,356,878	97,374	269,833	7,292,098	107,679	-	107,679
Housing and restoration	3,057,454	58,045	-	3,118,694	3,195	-	3,195
Title V	1,092,864	13,061	-	1,105,902	(23)	-	(23)
Corrections and probation	1,715,649	118,978	50,880	1,762,330	(21,417)	-	(21,417)
Child and Family Assistance	4,883,194	39,371	-	5,171,593	249,028	-	249,028
Homemaker	435,526	38,807	-	475,328	995	-	995
Mountain Valley	412,630	40,118	-	476,311	23,563	-	23,563
Loan	58	-	-	17,625	17,567	-	17,567
Total governmental activities	<u>39,666,225</u>	<u>(231,441)</u>	<u>3,256,164</u>	<u>38,121,784</u>	<u>1,943,164</u>	<u>-</u>	<u>1,943,164</u>
Business-type activities							
Misdemeanor	1,217,451	160,519	1,305,043	-	-	(72,927)	(72,927)
Transportation Enterprise	120,823	14,745	196,513	-	-	60,945	60,945
HUD Housing Choice Voucher	3,619,882	56,177	3,825,620	-	-	149,561	149,561
Total business-type activities	<u>4,958,156</u>	<u>231,441</u>	<u>5,327,176</u>	<u>-</u>	<u>-</u>	<u>137,579</u>	<u>137,579</u>
Total primary government	<u>\$ 44,624,381</u>	<u>\$ -</u>	<u>\$ 8,583,340</u>	<u>\$ 38,121,784</u>	<u>1,943,164</u>	<u>137,579</u>	<u>2,080,743</u>
General revenues							
Assessment to local governments					267,490	-	267,490
Transfers					(5)	-	(5)
Total general revenues					<u>267,485</u>	<u>-</u>	<u>267,485</u>
Change in net position					2,210,649	137,579	2,348,228
Net position - beginning					<u>8,772,448</u>	<u>439,990</u>	<u>9,212,438</u>
Net position - ending					<u>\$ 10,983,097</u>	<u>\$ 577,569</u>	<u>\$ 11,560,666</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Balance Sheet
 Governmental Funds
 June 30, 2020

	General	Human Resource Service	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,459,692	\$ -	\$ 1,459,692
Investments	20,047	-	20,047
Grant and contract receivables, net of allowance for uncollectible	-	9,349,623	9,349,623
Loans receivable	-	588,117	588,117
Deposits	5,744	4,000	9,744
Prepaid expenditures	9,823	135,181	145,004
Total assets	<u>\$ 1,495,306</u>	<u>\$ 10,076,921</u>	<u>\$ 11,572,227</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 34,380	\$ 3,076,061	\$ 3,110,441
Bank overdraft	-	1,597,016	1,597,016
Accrued expenses	-	21,537	21,537
Total liabilities	<u>34,380</u>	<u>4,694,614</u>	<u>4,728,994</u>
Fund balances			
Nonspendable	15,567	-	15,567
Restricted	20,047	5,382,307	5,402,354
Unassigned	1,425,312	-	1,425,312
Total fund balances	<u>1,460,926</u>	<u>5,382,307</u>	<u>6,843,233</u>
Total liabilities and fund balances	<u>\$ 1,495,306</u>	<u>\$ 10,076,921</u>	<u>\$ 11,572,227</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$7,145,933. \$ 3,626,005

The Internal Service Fund is used by management to charge major equipment purchases and fringe benefits for all ETHRA employees. The assets and liabilities of the Internal Service fund are included in Governmental Activities in the Government-Wide Statement of Net Position. 513,859

Net position of governmental activities \$ 10,983,097

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2020

	General	Special Revenue	Total Governmental Funds
Revenues			
Grantor contributions	\$ 500	\$ 36,633,711	\$ 36,634,211
Program income	-	3,247,698	3,247,698
USDA	-	392,300	392,300
Assessments to local governments	267,490	41,050	308,540
In-kind contributions	-	267,766	267,766
Interest income	-	16,139	16,139
Other income	18,959	(6,878)	12,081
Total revenues	<u>286,949</u>	<u>40,591,786</u>	<u>40,878,735</u>
Expenditures			
Current			
General government	138,741	-	138,741
Aging	-	8,340,144	8,340,144
ETHRA Aging	-	1,087,395	1,087,395
Workforce Development	-	7,454,252	7,454,252
Title V	-	1,105,925	1,105,925
LIHEAP WAP	-	3,115,499	3,115,499
Transportation Call Center	-	10,153,350	10,153,350
Community Corrections	-	1,834,627	1,834,627
Child Care Food	-	4,922,565	4,922,565
Homemaker	-	474,333	474,333
Mountain Valley	-	471,616	471,616
Loan Program	-	58	58
Total expenditures	<u>138,741</u>	<u>38,959,764</u>	<u>39,098,505</u>
Excess of revenues over expenditures	<u>148,208</u>	<u>1,632,022</u>	<u>1,780,230</u>
Other Financing (Uses) Sources			
Transfers in - match	(76,324)	-	(76,324)
Transfers out - match	-	76,320	76,320
Total other financing (uses) sources	<u>(76,324)</u>	<u>76,320</u>	<u>(4)</u>
Net change in fund balances	<u>71,884</u>	<u>1,708,342</u>	<u>1,780,226</u>
Fund balances at beginning of year	<u>1,389,042</u>	<u>3,673,965</u>	<u>5,063,007</u>
Fund balances at end of year	<u>\$ 1,460,926</u>	<u>\$ 5,382,307</u>	<u>\$ 6,843,233</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ 1,780,226

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

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

Depreciation expense	(1,113,343)
Capital assets purchases capitalized	1,527,235
Changes in net position of internal service funds	<u>16,531</u>

Change in net position of governmental activities \$ 2,210,649

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Net Position
Proprietary Funds
June 30, 2020

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>Transportation Enterprise</u>	<u>Total</u>	<u>Governmental Activities</u>
					<u>Internal Service Funds</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 31,083	\$ 386,427	\$ 119,453	\$ 536,963	\$ 3,950,943
Accounts receivable	-	1,740	20,785	22,525	-
Prepaid expenditures	-	-	-	-	325,037
Total current assets	<u>31,083</u>	<u>388,167</u>	<u>140,238</u>	<u>559,488</u>	<u>4,275,980</u>
Noncurrent Assets					
Capital assets					
Vehicles, net	-	14,458	20,041	34,499	1,181,970
Total noncurrent assets	<u>-</u>	<u>14,458</u>	<u>20,041</u>	<u>34,499</u>	<u>1,181,970</u>
Total assets	<u>\$ 31,083</u>	<u>\$ 402,625</u>	<u>\$ 160,279</u>	<u>\$ 593,987</u>	<u>\$ 5,457,950</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 8,666	\$ 4,267	\$ 13	\$ 12,946	\$ 60,480
Accrued expenses	-	3,472	-	3,472	3,701,641
Total current liabilities	<u>8,666</u>	<u>7,739</u>	<u>13</u>	<u>16,418</u>	<u>3,762,121</u>
Net Position					
Investment in capital assets	-	14,458	20,041	34,499	1,181,970
Unrestricted net position	22,417	380,428	140,225	543,070	513,859
Total net position	<u>\$ 22,417</u>	<u>\$ 394,886</u>	<u>\$ 160,266</u>	<u>\$ 577,569</u>	<u>\$ 1,695,829</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2020

			Transportation		Governmental Activities
	Misdemeanor	HUD HCV	Enterprise	Total	Internal Service Funds
Operating Revenues					
Grantor contributions	\$ -	\$ 3,814,698	\$ -	\$ 3,814,698	\$ 833,731
Program income	1,304,911	1,775	196,513	1,503,199	-
Other revenue	132	9,147	-	9,279	(67,028)
Total operating revenues	<u>1,305,043</u>	<u>3,825,620</u>	<u>196,513</u>	<u>5,327,176</u>	<u>766,703</u>
Operating Expenses					
Salaries	668,617	233,025	59,177	960,819	27,311
Fringe benefits	198,344	71,113	18,838	288,295	(408,868)
Grant and program costs	-	3,232,109	-	3,232,109	-
Occupancy	112,928	23,887	391	137,206	-
Consultants and contracted services	25,721	4,665	192	30,578	6,694
Gasoline	-	-	8,787	8,787	16,892
Telephone	38,602	6,202	-	44,804	-
Training and conferences	56,666	704	-	57,370	-
Travel	43,954	5,956	-	49,910	-
Supplies	21,663	3,062	105	24,830	-
Insurance and bonding	15,658	7,746	6,605	30,009	15,214
Maintenance and repairs	6,445	11,253	1	17,699	23,646
Rentals	11,248	4,712	4	15,964	-
Depreciation	-	7,229	26,721	33,950	194,956
Postage and freight	6,595	5,460	-	12,055	-
Printing	9,689	1,862	2	11,553	-
Other expenses	1,321	897	-	2,218	736
Indirect cost allocation	160,519	56,177	14,745	231,441	-
Total operating expenses	<u>1,377,970</u>	<u>3,676,059</u>	<u>135,568</u>	<u>5,189,597</u>	<u>(123,419)</u>
Operating income/(loss)	(72,927)	149,561	60,945	137,579	890,122
Transfers out	-	-	-	-	(873,591)
Change in net position	<u>(72,927)</u>	<u>149,561</u>	<u>60,945</u>	<u>137,579</u>	<u>16,531</u>
Total net position - beginning	<u>95,344</u>	<u>245,325</u>	<u>99,321</u>	<u>439,990</u>	<u>1,679,298</u>
Total net position - ending	<u>\$ 22,417</u>	<u>\$ 394,886</u>	<u>\$ 160,266</u>	<u>\$ 577,569</u>	<u>\$ 1,695,829</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities					
Cash received from supervision fees	\$ 1,264,511	\$ -	\$ -	\$ 1,264,511	\$ -
Cash received from fees	40,400	35	209,200	249,635	531,068
Cash received from grants	-	3,814,698	-	3,814,698	833,731
Cash received from other revenue	-	8,927	-	8,927	(67,028)
Cash received from interest	132	-	-	132	-
Cash received from other funds	-	-	-	-	-
Payments to employees	(668,617)	(233,025)	(59,177)	(960,819)	(27,311)
Payments for fringe benefits	(198,344)	(71,113)	(18,838)	(288,295)	408,868
Payments to vendors	(350,185)	(3,313,506)	(16,091)	(3,679,782)	294,938
Payments for indirect costs	(160,519)	(56,177)	(14,745)	(231,441)	-
Cash flows from operating activities	<u>(72,622)</u>	<u>149,839</u>	<u>100,349</u>	<u>177,566</u>	<u>1,974,266</u>
Cash Flows from Investing Activities					
Transfers to other funds	-	-	-	-	(873,591)
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(873,591)</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of capital assets	-	220	-	220	-
Acquisition of capital assets	-	-	-	-	(119,730)
Cash flows from capital and related financing activities	<u>-</u>	<u>220</u>	<u>-</u>	<u>220</u>	<u>(119,730)</u>
Net Change in Cash and Cash Equivalents	(72,622)	150,059	100,349	177,786	980,945
Balance - beginning of the year	103,705	236,368	19,104	359,177	2,969,998
Balances - end of the year	<u>\$ 31,083</u>	<u>\$ 386,427</u>	<u>\$ 119,453</u>	<u>\$ 536,963</u>	<u>\$ 3,950,943</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Operating income (loss)	\$ (72,927)	\$ 149,561	\$ 60,945	\$ 137,579	\$ 890,122
Adjustments					
Depreciation expense	-	7,229	26,722	33,951	194,956
Loss (gain) on disposal of capital assets	-	(220)	-	(220)	14,747
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	-	(1,740)	12,687	10,947	648,046
Decrease in prepaid expenditure	-	-	-	-	(116,978)
(Decrease) increase in accounts payable and accrued expenses	305	(4,991)	(5)	(4,691)	343,373
Net cash flows from operating activities	<u>\$ (72,622)</u>	<u>\$ 149,839</u>	<u>\$ 100,349</u>	<u>\$ 177,566</u>	<u>\$ 1,974,266</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Net Position
Fiduciary Funds
June 30, 2020

	Public Guardian	HUD Escrow	Agency Funds	Total
Assets				
Cash and cash equivalents	\$ 689,264	\$ 20,453	\$ 11,143	\$ 720,860
Other receivables	-	884	-	884
Investments, at fair values				
Investment accounts	2,893,508	-	-	2,893,508
Land and buildings	348,200	-	-	348,200
Total assets	<u>\$ 3,930,972</u>	<u>\$ 21,337</u>	<u>\$ 11,143</u>	<u>\$ 3,963,452</u>
Liabilities				
Accounts payable	\$ 27	\$ 1,740	\$ -	\$ 1,767
Assets held for others	-	-	11,143	11,143
Total liabilities	<u>27</u>	<u>1,740</u>	<u>11,143</u>	<u>12,910</u>
Net Position				
Held in trust	<u>3,930,945</u>	<u>19,597</u>	<u>-</u>	<u>3,950,542</u>
Total net position	<u>\$ 3,930,945</u>	<u>\$ 19,597</u>	<u>\$ -</u>	<u>\$ 3,950,542</u>



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2020

	<u>Public Guardian</u>
Additions	
Contributions	\$ 1,522,137
Trust account income	892,457
Other revenue	322
Interest	<u>176</u>
Total additions	<u>2,415,092</u>
Deductions	
Nursing home/residential care	640,140
Legal	166,658
Other expenses	6,435
Distributions to beneficiaries	946,819
Burial expenses	62,761
Fees transfer	504
Living expenses	27,137
Medical and dental	19,314
Taxes	1,390
Insurance	<u>15,023</u>
Total deductions	<u>1,886,181</u>
Change in net position	528,911
Net position at beginning of year	<u>3,402,034</u>
Net position at end of year	<u>\$ 3,930,945</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Governing Board consists of:

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

The Public Council consists of:

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

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

Basis of Presentation - The accompanying statements of ETHRA have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”).

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by grants and contracts, are reported separately from *business-type* activities, which rely on a significant extent 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 reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 2 - RECEIVABLES, DEPOSITS, AND INVESTMENTS

Allowance for Uncollectible Accounts - The allowance for uncollectible accounts is based upon a credit review of the accounts receivable, past debt experience, current economic conditions, and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors, and it is at least reasonably possible that a change in the estimate will occur in the near term. No allowance is necessary for grantor or other receivables at June 30, 2020.

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

Investments - Investments are limited to those authorized by Tennessee State Law. State statutes authorize ETHRA to invest in Treasury bonds, notes, or bills of the United States; non-convertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or its agencies; certificates of deposit at State and Federal chartered banks and savings and loan associations, obligations of the United States or its agencies under a repurchase agreement, and money market funds whose portfolios consist of any of the foregoing instruments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the Local Government Investment Pool ("LGIP"); obligations of the Public Housing Authority; and the bonds of the Tennessee Valley Authority. State statutes limit maturities of the above instruments to two years from the date of investment unless a longer maturity is approved by the State Director of Local Finance. Investments are recorded at fair value. ETHRA has not adopted a formal investment policy that limits its interest rate or credit risk.

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

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

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

NOTE 3 - INTERFUND RECEIVABLE/PAYABLE ACCOUNTS

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

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

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

NOTE 4 - PREPAID ITEMS

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

NOTE 5 - DEFERRED COMPENSATION PLAN

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

The tax-deferred annuity plan was established in accordance with Section 403(b) of the Internal Revenue Service's Code. The plan allows employees to shelter a portion of their salaries. All costs for administering this program are the responsibility of the plan participants. Since the 403(b) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. ETHRA is the plan administrator. Effective September 1, 2019, ETHRA is a participant in RetireReadyTN, Tennessee's Retirement Program, and qualified employees can contribute to its 401(k) and 457 plans. These programs are administered by the Tennessee Treasury Department, with Empower Retirement serving as the official record-keeper.

Employees may have as much of their gross compensation deducted as they choose, up to the maximum allowed by the Internal Revenue Service. A matching payment is made by ETHRA each payroll period. ETHRA will match any amount up to 5 percent of an employee's gross compensation, depending upon the employee's deduction. Employees can request a loan against their plan balances. Otherwise, the funds are not available to the employee until they are fully vested. Employee deferrals for the year ended June 30, 2020, were \$414,122 and ETHRA's matching contribution was \$269,082.

NOTE 6 - OPERATING LEASE AGREEMENTS

ETHRA leases offices and storage space to administer agency programs. All leases are cancelable at ETHRA's option. ETHRA incurred operating lease payments of \$1,112,572 in fiscal year 2020. Operating lease requirements under these agreements for the next five years and thereafter will be approximately as follows:

<u>Year ending June 30,</u>	
2021	\$ 680,568
2022	570,949
2023	523,853
2024	376,529
2025	<u>125,078</u>
	<u>\$ 2,276,977</u>

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

NOTE 7 - CAPITAL ASSETS

Governmental and business-type activities' capital asset changes for the year ended June 30, 2020 were as follows:

	<u>Balance</u> <u>07/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/20</u>
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Building Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,379,190	-	(5,250)	2,373,940
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	<u>6,916,659</u>	<u>1,602,796</u>	<u>(1,627,912)</u>	<u>6,891,543</u>
Total other capital asset at cost	<u>10,802,574</u>	<u>1,602,796</u>	<u>(1,633,162)</u>	<u>10,772,208</u>
Less accumulated depreciation for:				
Building Total	(542,026)	(36,997)	-	(579,023)
Furniture & Equipment Total	(2,284,499)	(11,469)	5,250	(2,290,718)
Leasehold improvements Total	(243,383)	-	-	(243,383)
Vehicles Total	<u>(4,430,582)</u>	<u>(1,064,877)</u>	<u>1,462,380</u>	<u>(4,033,079)</u>
Total accumulated depreciation	<u>(7,500,490)</u>	<u>(1,113,343)</u>	<u>1,467,630</u>	<u>(7,146,203)</u>
Governmental capital assets, net	<u>3,302,084</u>	<u>489,453</u>	<u>(165,532)</u>	<u>3,626,005</u>
Business-type capital assets:				
Vehicles	338,044	-	(7,400)	330,644
Accumulated depreciation	<u>(269,594)</u>	<u>(33,951)</u>	<u>7,400</u>	<u>(296,145)</u>
Business-type capital assets, net	<u>68,450</u>	<u>(33,951)</u>	<u>-</u>	<u>34,499</u>
Total capital assets, net	<u>\$ 3,370,534</u>	<u>\$ 455,502</u>	<u>\$ (165,532)</u>	<u>\$ 3,660,504</u>

Depreciation expenses for the year ended June 30, 2020 were charged to programs/functions as follows:

Pool	\$ 45,441
Transportation	<u>1,067,902</u>
Total depreciation and capital expenses governmental activities	1,113,343
Oak Ridge Transit	<u>33,951</u>
	<u>\$ 1,147,294</u>

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

NOTE 7 - CAPITAL ASSETS - (Continued)

Capital Assets are presented in the Statement of Net Position (government-wide financial statements). The presentation includes all assets with a historical cost in excess of five thousand dollars that are currently in use by the agency or program.

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

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

NOTE 8 - FUND BALANCE

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

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

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

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

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

There are no committed fund balance amounts for fiscal year 2020.

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

There are no assigned fund balance amounts for fiscal year 2020.

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

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

NOTE 8 - FUND BALANCE - (Continued)

	General	Human Resource Services	Total Governmental Funds
Nonspendable			
Advances and deposits	\$ 15,567	\$ -	\$ 15,567
Restricted for			
Mountain Valley	-	228,799	228,799
Loan	-	1,157,238	1,157,238
Human Resource Services	-	3,996,270	3,996,270
East Tennessee Foundation			
Investment	20,047	-	20,047
Unassigned	<u>1,425,312</u>	<u>-</u>	<u>1,425,312</u>
Total fund balances	<u>\$ 1,460,926</u>	<u>\$ 5,382,307</u>	<u>\$ 6,843,233</u>

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

NOTE 9 - CONTINGENCIES

Sick Leave - ETHRA records the cost of sick leave when paid. Since sick leave (earned one day per month with a maximum of 60 days) is generally paid only when an employee is absent because of illness, injury, or related family death, there is no recorded liability for sick leave. The amount of unused sick leave was \$1,682,404 at June 30, 2020. Although there is no cash reimbursement for unused sick leave, at termination of employment, a portion of the cash value of unused sick leave, based on Board approval annually, may be placed in an employee’s retirement account. An employee must be employed and a member of the retirement system for three years to be eligible for this benefit.

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

NOTE 10 - RISK MANAGEMENT

ETHRA participants in the Public Entity Partners (“PEP”) for the following risks of loss: commercial general liability, bodily injury, property damage, personal injury liability for vehicle operation, worker’s compensation, employer’s liability, employee dishonesty; theft of, damage to, or destruction of real and personal property; and personal injury. ETHRA’s agreement with PEP provides for payment of premiums. The agreement also provided for refunds to members and additional member assessments. Additional member assessments are based on the experience of the pool. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

ETHRA carries commercial insurance for the following risks of loss: liability for volunteers and court-referred alternative sentencing volunteer insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

NOTE 10 - RISK MANAGEMENT - (Continued)

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

NOTE 11 - GRANTS

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

NOTE 12 - RISKS AND UNCERTAINTIES

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

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



SUPPLEMENTARY INFORMATION



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Schedule of Expenditures by Program
 Governmental Funds
 For the Year Ended June 30, 2020

Expenditures	General	Aging	ETHRA Aging	Workforce Development	Title V
Current					
Salaries	\$ 1,226,366	\$ 1,546,990	\$ 398,735	\$ 397,261	\$ 54,029
Fringe Benefits	372,283	479,810	99,403	123,627	14,721
Professional Fees	393,928	173,490	41,125	27,150	1,482
Supplies	77,272	10,034	22,443	85,158	225
Telephone	41,544	31,365	12,410	87,946	1,108
Postage and Freight	4,209	6,302	782	1,801	1,381
Equipment Rental & Maintenance	103,446	20,237	9,939	89,650	2,100
Printing & Publications	8,638	8,154	1,295	14,854	163
Travel, Training, Conferences	71,209	99,765	67,612	18,647	2,194
Insurance	6,691	35,505	11,161	7,801	1,269
Occupancy	126,459	104,741	36,503	656,609	5,075
Fuel & Maintenance	-	-	-	616	-
Grants & Allocations	-	3,433,985	-	3,221,294	27,982
Participant	-	1,923,319	233,276	2,618,336	841,627
Capital	-	-	-	-	-
Other	5,665	15,341	1,789	6,130	245
Indirect cost allocation	(2,310,408)	380,439	93,078	97,374	13,062
In-Kind	-	70,665	57,843	-	139,258
Total Expenditures	<u>127,302</u>	<u>8,340,142</u>	<u>1,087,394</u>	<u>7,454,254</u>	<u>1,105,921</u>
Other Financing Sources (Uses)					
Transfers - match	<u>(127,341)</u>	<u>844,145</u>	<u>(893,180)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(127,341)</u>	<u>844,145</u>	<u>(893,180)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ (39)</u>	<u>\$ 9,184,287</u>	<u>\$ 194,214</u>	<u>\$ 7,454,254</u>	<u>\$ 1,105,921</u>

See independent auditors' report.

LIHEAP WAP	Transportation/ Call Center	Community Corrections	Child Care Food	Homemaker	Mountain Valley	Loan Program	Total
\$ 235,151	\$ 4,893,092	\$ 1,040,220	\$ 163,244	\$ 257,584	\$ 167,500	\$ -	\$ 10,380,172
73,438	1,510,020	325,056	42,483	76,109	49,065	-	3,166,015
20,863	145,317	2,483	4,631	759	11,867	-	823,095
2,852	71,667	5,429	4,169	3,226	6,444	-	288,919
2,620	79,510	46,139	3,365	11,624	9,775	-	327,406
6,727	1,058	1,159	1,385	45	441	9	25,299
4,707	38,019	15,487	1,671	2,818	4,294	-	292,368
543	5,408	1,843	1,188	237	555	-	42,878
7,170	31,610	107,753	19,714	51,544	8,474	-	485,692
5,203	400,407	34,015	5,728	5,830	6,229	-	519,839
10,574	157,367	128,291	17,652	24,267	34,822	-	1,302,360
-	1,094,573	-	-	-	-	-	1,095,189
-	-	-	4,589,440	-	2,000	-	11,274,701
2,694,377	-	3,300	-	372	108,009	-	8,422,616
-	471,141	-	-	-	21,360	-	492,501
(6,771)	54,472	4,472	28,522	1,110	662	48	111,685
58,045	1,199,696	118,978	39,371	38,807	40,118	-	(231,440)
-	-	-	-	-	-	-	267,766
<u>3,115,499</u>	<u>10,153,357</u>	<u>1,834,625</u>	<u>4,922,563</u>	<u>474,332</u>	<u>471,615</u>	<u>57</u>	<u>39,087,061</u>
-	(5,871)	(21,416)	-	-	-	-	(203,663)
-	(5,871)	(21,416)	-	-	-	-	(203,663)
<u>\$ 3,115,499</u>	<u>\$ 10,147,486</u>	<u>\$ 1,813,209</u>	<u>\$ 4,922,563</u>	<u>\$ 474,332</u>	<u>\$ 471,615</u>	<u>\$ 57</u>	<u>\$ 38,883,398</u>



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Assets				
Contributions from employees	\$ 11,490	\$ 1,896	\$ 2,243	\$ 11,143
Total assets	\$ 11,490	\$ 1,896	\$ 2,243	\$ 11,143
Liabilities				
Employee Volunteer/Assets held for others	\$ 11,490	\$ 1,896	\$ 2,243	\$ 11,143
Total liabilities	\$ 11,490	\$ 1,896	\$ 2,243	\$ 11,143



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Non-Cash Assistance
For the Year Ended June 30, 2020

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

	GRANT # <u>83265-66715</u>	GRANT # <u>83265-70714</u>	<u>TOTALS</u>
<u>CFDA #</u>	10.568	10.568	
<u>PROGRAM NAME</u>	Emergency Food Assistance Program	Emergency Food Assistance Program	
<u>GRANTOR AGENCY</u>	Tennessee Department of Agriculture	Tennessee Department of Agriculture	
<u>Balance 7/1/2019</u>	\$ -	\$ -	\$ -
<u>Receipts</u>	69,734	280,260	349,994
<u>Change in USDA Rate</u> (2)	-	847	847
<u>Other Additions</u> (3)	-	-	-
<u>Commodities Distributed</u>	47,888	200,563	248,451
<u>Other Deductions</u> (4)	-	-	-
<u>Balance 6/30/2020</u>	<u>\$ 21,846</u>	<u>\$ 80,544</u>	<u>\$ 102,390</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 6/30/2020.
- (3) This amount represents a reconciliation between physical inventory and book inventory.
- (4) This amount represents lost and damaged commodities.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Expenditures of Federal Awards and State Grants
For the Year Ended June 30, 2020

Federal/Pass-through Agency Program Title	CFDA Number	
U.S. Department of Agriculture		
Passed through Tennessee Department of Agriculture		
Supplemental Nutrition Assistance Program	10.561	\$ 54,550
Emergency Food Assistance Program (Administration)	10.568	48,090
Passed through Tennessee Department of Human Services		
Child and Adult Care Food Program	10.558	1,918,994
Summer Food Service Program for Children	10.559	3,242,894
		<u>5,264,528</u>
U.S. Department of Housing and Urban Development		
Section 8 Rental Voucher Program	14.871	3,735,814
Section 8 Rental Voucher Program COVID19	14.871	78,884
		<u>3,814,698</u>
U.S. Department of Labor		
Senior Community Service Employment-SSAI	17.235	786,302
Pass through Tennessee Commission on Aging		
Pass through Tennessee Department of Labor and Workforce Development		
Unemployment Insurance	17.225	35,139
Senior Community Service Employment-State	17.235	180,342
Workforce Investment Act Adult Program	17.258	1,992,554
Workforce Investment Act Youth Activities	17.259	2,475,365
Workforce Investment Act Dislocated Worker Formula	17.278	2,444,623
		<u>7,914,325</u>
U.S. Department of Transportation		
Federal Transit_Formula Grants	20.507	623,382
Federal Transit_Formula Grants CARES	20.507	765,026
Bus and Bus Facilities Formula Program	20.526	49,054
Passed through Tennessee Department of Transportation		
Formula Grants for Other Than Urbanized Areas	20.509	3,864,325
Formula Grants for Other Than Urbanized Areas CARES	20.509	2,567,165
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1,001,333
		<u>8,870,285</u>
U.S. Department of Energy		
Passed through Tennessee Housing Development Agency		
Weatherization Assistance for Low-income Persons	81.042	201,554
Low Income Heating and Energy Assistance Program	93.568	2,917,140
		<u>3,118,694</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	4,548
		<u>4,548</u>

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

Federal/Pass-through Agency Program Title	CFDA Number	
U.S. Department of Health and Human Services		
Passed through Tennessee Commission on Aging		
Special Programs for the Aging, Title VII, Chapter 3	93.041	\$ 10,000
Special Programs for the Aging, Title VII, Chapter 2	93.042	63,500
Special Programs for the Aging, Title III, Part D	93.043	83,184
Special Programs for the Aging, Title III, Part B	93.044	1,182,864
Special Programs for the Aging, Title III, Part C	93.045	2,147,103
Special Programs for the Aging, Title III, Part C COVID19	93.045	454,012
National Caregiver Support, Title III, Part E	93.052	598,198
Nutritional Services Incentive Program	93.053	392,299
Crime Victim Assistance	16.575	262,509
SAIL	93.761	8,664
		5,202,333
Passed through Tennessee Department of Human Services		
Community Services Block Grant	93.569	402,671
Community Services Block Grant COVID	93.569	500
Social Services Block Grant	93.667	467,230
		870,401
Centers for Medicare and Medicaid Services		
Passed through Tennessee Commission on Aging		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	99,285
PPACA/MIPPA	93.071	88,876
		188,161
Passed through TennCare		
Medicaid Assistance Program	93.778	938,299
		\$ 36,186,272

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

Federal/Pass-through Agency Program Title	CFDA Number
State and Local Grants	
Child Protective Services	N/A \$ 8,003
Community Corrections	N/A 1,628,438
Community Intervention Services	N/A 133,723
Senior Centers	N/A 232,900
State Guardianship	N/A 197,300
State Homemaker	N/A 63,800
State Nutrition	N/A 120,100
State Aging - Options	N/A 1,918,600
Aging Services -III-E Match	N/A 85,000
Senior Vol Transportation Network	N/A 60,802
LaFollette Medical Foundation	N/A 30,000
Summer Feeding Initiative	N/A 9,657
Transportation BOPP	N/A 114,855
Transportation TEIS	N/A 2,900
Transportation CRIT	N/A 448,523
Transportation MPC	N/A 112,050
AJC - Adult Ed	N/A 265,361
AJC - DOL	N/A 266,804
AJC - VR	N/A 15,689
AJC - TDVA	N/A 37,222
AJC - TAA	N/A 3,358
AJC - SNAP	N/A 13,274
AJC - RESEA	N/A 45,938
AJC - ETSU	N/A 11,308
AJC- Ticket toWork	N/A 2,966
NCRC-Tate & Lyle	N/A 4,186
	<hr/>
Total State and Local	\$ <u>5,832,757</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Note to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state award activity of ETHRA under programs of the federal government for the year ended June 30, 2020. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selection portion of the operations of ETHRA they are not intended to and do not present the financial position, change in net position, or cash flows of ETHRA

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. ETHRA uses an 18.92% indirect cost rate approved by the Department of Health and Human Services.



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule
 June 30, 2020

HUD A/C#		HUD HCV
	Assets	
111	Cash - unrestricted	\$ 133,630
113	Cash - other restricted	<u>171,868</u>
100	Total Cash	<u>305,498</u>
125	Accounts receivable	1,740
128	Fraud recovery	7,500
128.1	Allowance for doubtful accounts - fraud	<u>(7,500)</u>
120	Total receivables, net of allowance for doubtful accounts	<u>1,740</u>
150	Total current assets	<u>307,238</u>
164	Furniture, equipment, & machinery - administration	79,495
166	Accumulated depreciation	<u>(65,037)</u>
160	Total capital assets, net of accumulated depreciation	<u>14,458</u>
180	Total non-current assets	<u>14,458</u>
290	Total assets	<u><u>\$ 321,696</u></u>
	Liabilities	
312	Account payable less than 90 days	<u>\$ 7,738</u>
310	Total current liabilities	<u>7,738</u>
353	Non-current liabilities - other	<u>15,073</u>
350	Total non-current liabilities	<u>15,073</u>
300	Total liabilities	<u>22,811</u>
	Net Position	
508.4	Net investment in capital assets	14,458
511.4	Restricted net position	152,107
512.4	Unrestricted net position	<u>132,320</u>
513	Total equity - net assets/position	<u>298,885</u>
600	Total liabilities and equity - net assets/position	<u><u>\$ 321,696</u></u>
Line 113 Details		
113-020	FSS escrow deposits	\$ 15,073
113-030	All other funds	<u>156,795</u>
		<u><u>\$ 171,868</u></u>

See independent auditors' report.

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

HUD A/C#		HUD HCV
	Revenues	
70600	HUD PHA operating grants	\$ 3,735,814
71400	Fraud recovery	220
71500	Other revenue	<u>5,670</u>
70000	Total operating revenues	<u>3,741,704</u>
	Expenses	
	Administrative	
91100	Administrative salaries	206,372
91200	Auditing fees	4,665
91400	Advertising and marketing	345
91500	Employee benefit contributions - administrative	62,681
91600	Office expenses	56,694
91800	Travel	6,660
91810	Allocated overhead	56,177
96200	Other general expenses	<u>1,334</u>
91000	Total operating - administrative	<u>394,928</u>
	Tenant	
92100	Tenant services - salaries	26,653
92300	Employee benefit contributions - tenant services	<u>8,432</u>
92500	Total tenant services	<u>35,085</u>
	Insurance premiums	
96120	Liability insurance	<u>7,746</u>
96100	Total insurance premiums	<u>7,746</u>
96900	Total operating expenses	<u>437,759</u>
97000	Excess of operating revenue over operating expenses	<u>3,303,945</u>
97300	Housing assistance payments	3,231,201
97350	HAP portability-in	3,896
97400	Depreciation expense	<u>7,229</u>
90000	Total expenses	<u>3,680,085</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ 61,619</u>

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

HUD A/C#		HUD HCV
	Memo account information	
11030	Beginning equity	\$ 237,266
11170	Administrative fee equity	146,778
11180	Housing assistance payments equity	152,107
11190	Unit months available	9,408
11210	Number of unit months leased	7,169
	Line item 70600 details	
70600-010	Housing assistance payments	3,317,223
70600-020	Ongoing administrative fees earned	383,506
70600-031	FSS coordinator grant	35,085
	Total	3,735,814
	Line item 71400 details	
71400-010	Housing assistance payment	110
71400-020	Administrative fee	110
	Total	220
	Line item 97300 details	
97300-020	Home-ownership	121,075
97300-040	Tenant protection	11,274
97300-041	Portability-out	27,393
97300-045	FSS escrow deposits	14,526
97300-050	All other	3,056,933
	Total	\$ 3,231,201
	Line item 11170 details	
11170-001	Administrative fee equity - beginning balance	\$ 176,701
11170-010	Administrative fee revenue	383,506
11170-021	FSS coordinator	35,085
11170-045	Fraud recovery revenue	110
11170-050	Other revenue	260
11170-060	Total admin fee revenues	418,961
11170-080	Total operating expenses	437,759
11170-090	Depreciation	7,229
11170-095	Housing assistance payment portability in	3,896
11170-110	Total expenses	448,884
11170-002	Net administrative fee	(29,923)
11170-003	Administrative fee equity - ending balance	146,778
11170-006	Post - 2003 administrative fee reserves	\$ 146,778

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

<u>HUD A/C#</u>		<u>HUD HCV</u>
	Line item 11180 details:	
11180-001	Housing assistance payments equity - beginning balance	\$ 60,565
11180-010	Housing assistance payments revenue	3,317,223
11180-015	Fraud recovery revenue	110
11180-020	Other revenue	<u>5,410</u>
11180-021	Comments for other revenue - forfeitures	
11180-030	Total housing assistance payments revenue	<u>3,322,743</u>
11180-080	Housing assistance payments	<u>3,231,201</u>
11180-091	Comments for other expenses - prior period expense correction	
11180-100	Total housing assistance payments expenses	<u>3,231,201</u>
11180-002	Net housing assistance payments	<u>91,542</u>
11180-003	Housing assistance payments equity - ending balance	<u>\$ 152,107</u>
	Line item 11190 details:	
11190-210	Total ACC HCV Units	<u>9,408</u>



COMPLIANCE REPORTS



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

I. Summary of Auditors' Results

Financial Statements

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

Unmodified opinion

Internal Control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507	Federal Transit Formula Grants
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs
10.559	Summer Food Service Program for Children
20.509	Formula Grants for Rural Areas
14.871	Section 8 Housing Choice Vouchers
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish between type A and type B programs: \$1,085,588

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

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

None Reported.

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

III. Findings and Questioned Costs for Federal Award Programs

Reference number: 2020-001 Reimbursement Request Calculations

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

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

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

Context: We tested three reimbursement requests throughout audit procedures noting ETHRA reimbursed vendors for 121,214 meals but only 120,635 were served. Additionally, monitoring reports disclosed multiple meals disallowed due to the number of meals served reported incorrectly. This condition identified per review of the major program's compliance with specified requirements using a statistically valid sample.

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

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

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

View of Responsible Officials: Agree

Reference number: 2020-002 Overtime Wage Calculation

Criteria: Overtime wages for employees should be consistently applied across the Organization.

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

Questioned Costs: Questioned costs in the matter amounted \$29,759

Context: We tested 40 employees paychecks noting that 11 transportation drivers were charged incorrect overtime wages based on a 37.5 hour week. Additionally, it is deemed the total number of drivers affected by the miscalculation is 81 for the fiscal year. This condition identified per review of the major program's compliance with specified requirements using a statistically valid sample.

Effect of Condition: Failure to pay the correct amount of wages to employees could result in inaccurate use of expenses during a specified period and possible disallowance of funds.

Cause: Personnel did not review wage costs for employees.

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

View of Responsible Officials: Agree



East Tennessee Human Resource Agency, Inc.

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EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Corrective Action Plan
Year Ended June 30, 2020

Federal Award Findings

Reference number: 2020-001 Reimbursement Request Calculations

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

Corrective Action: ETHRA implemented a new policy for the process of counting, recording, and reporting meals served. Intensive training will be implemented for staff and volunteers on the subject of meal counting and Site Supervisors will begin using either the newly developed meal count form, or state approved forms at feeding sites. Site Supervisors will be required to confirm number of meals received and served prior to sending meal count form packets to the Coordinator. The Program Coordinator will verify that the counts provided add up, and that the Site Supervisor signed and dated the form. The Legal Compliance Officer will also run periodic random checks on the hard files and the compliance spreadsheet to ensure records are being submitted and logged appropriately.

Proposed Completion Date: December 31, 2020

Reference number: 2020-002 Overtime Wage Calculations

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

Corrective Action: In February 2020, ETHRA's Payroll Manager discovered that the payroll processing company (DATIS) had been calculating overtime on hours after 37.50 instead of the 40 hours that it was originally set up to do. The Payroll Manager notified DATIS immediately and DATIS corrected it in their processing system. After each payroll is processed, the Payroll Manager will check several employees from different programs to ensure that DATIS is processing payroll correctly.

Proposed Completion Date: December 31, 2020

Respectively submitted:


Gary W. Holiway, Executive Director

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

Findings - Financial Statements Audit

There were no prior findings reported.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no prior findings reported.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated February 4, 2021.

Internal Control over Financial Reporting

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

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

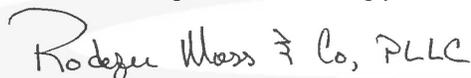
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Knoxville, Tennessee
February 4, 2021

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

Board of Directors
East Tennessee Human Resource Agency, Inc.

Report on Compliance for Each Major Federal Program

We have audited East Tennessee Human Resource Agency, Inc. ("ETHRA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ETHRA's major federal programs for the year ended June 30, 2020, ETHRA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ETHRA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ETHRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ETHRA's compliance.

Opinion on Each Major Federal Program

In our opinion, ETHRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-0002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of ETHRA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered

ETHRA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ETHRA's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Roderic Mess & Co, PLLC

Knoxville, Tennessee
February 4, 2021

