

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 | | | | | 8,772,448 | 439,990 | 9,212,438 |
| 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 |
| | <u>286,949</u> | <u>40,591,786</u> | <u>40,878,735</u> |
| Total revenues | | | |
| 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 |
| | <u>138,741</u> | <u>38,959,764</u> | <u>39,098,505</u> |
| Total expenditures | | | |
| 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 |
| | <u>(76,324)</u> | <u>76,320</u> | <u>(4)</u> |
| Total other financing (uses) sources | | | |
| 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>Governmental Activities</u> |
|------------------------------|--------------------|-------------------|--------------------------------------|-------------------|-----------------------------------|------------------------------------|
| | <u>Misdemeanor</u> | <u>HUD HCV</u> | <u>Transportation Enterprise</u> | <u>Total</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 | 1,305,043 | 3,825,620 | 196,513 | 5,327,176 | 766,703 |
| 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 | 1,377,970 | 3,676,059 | 135,568 | 5,189,597 | (123,419) |
| Operating income/(loss) | (72,927) | 149,561 | 60,945 | 137,579 | 890,122 |
| Transfers out | - | - | - | - | (873,591) |
| Change in net position | (72,927) | 149,561 | 60,945 | 137,579 | 16,531 |
| Total net position - beginning | 95,344 | 245,325 | 99,321 | 439,990 | 1,679,298 |
| Total net position - ending | \$ 22,417 | \$ 394,886 | \$ 160,266 | \$ 577,569 | \$ 1,695,829 |

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 | (72,622) | 149,839 | 100,349 | 177,566 | 1,974,266 |
| Cash Flows from Investing Activities | | | | | |
| Transfers to other funds | - | - | - | - | (873,591) |
| Cash flows from investing activities | - | - | - | - | (873,591) |
| 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 | - | 220 | - | 220 | (119,730) |
| 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 | \$ 31,083 | \$ 386,427 | \$ 119,453 | \$ 536,963 | \$ 3,950,943 |
| 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 | \$ (72,622) | \$ 149,839 | \$ 100,349 | \$ 177,566 | \$ 1,974,266 |

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 | 1,425,312 | - | 1,425,312 |
| Total fund balances | \$ 1,460,926 | \$ 5,382,307 | \$ 6,843,233 |

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 | 127,302 | 8,340,142 | 1,087,394 | 7,454,254 | 1,105,921 |
| Other Financing Sources (Uses) | | | | | |
| Transfers - match | (127,341) | 844,145 | (893,180) | - | - |
| Total other financing sources (uses) | (127,341) | 844,145 | (893,180) | - | - |
| Total expenditures | \$ (39) | \$ 9,184,287 | \$ 194,214 | \$ 7,454,254 | \$ 1,105,921 |

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

| | <u>Balance</u> | | <u>Balance</u> |
|---|---------------------|------------------|----------------------|
| | <u>July 1, 2019</u> | <u>Additions</u> | <u>June 30, 2020</u> |
| Assets | | | |
| Contributions from employees | \$ 11,490 | \$ 1,896 | \$ 11,143 |
| Total assets | <u>\$ 11,490</u> | <u>\$ 1,896</u> | <u>\$ 11,143</u> |
| Liabilities | | | |
| Employee Volunteer/Assets held for others | \$ 11,490 | \$ 1,896 | \$ 11,143 |
| Total liabilities | <u>\$ 11,490</u> | <u>\$ 1,896</u> | <u>\$ 11,143</u> |



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:

| | <u>GRANT #</u> <u>83265-66715</u> | <u>GRANT #</u> <u>83265-70714</u> | <u>TOTALS</u> |
|--------------------------------|--|--|----------------------|
| <u>CFDA #</u> | 10.568 | 10.568 | |
| <u>PROGRAM NAME</u> | Emergency Food Assistance Program | Emergency Food Assistance Program | |
| <u>GRANTOR AGENCY</u> | Tennessee Department of Agriculture | Tennessee Department of Agriculture | |
| <u>Balance 7/1/2019</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 |
| | | 938,299 |
| | | |
| Total Federal | | \$ 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



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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

