



East Tennessee Human Resource Agency, Inc.

Annual Financial Report

June 30, 2015

East Tennessee Human Resource Agency, Inc.
Table of Contents
June 30, 2015

	<u>Page</u>
Roster of Officials	
Management's Discussion and Analysis	1- 4
Independent Auditor's Report	5- 7
Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Statement of Net Position – Fiduciary Funds	16
Statement of Changes in Net Position – Fiduciary Funds	17
Notes to Financial Statements	18-25
Other Financial Information	26-29
Schedule of Grant Activity	30-32
Schedule of Grant Activity – Noncash	33
Schedule of Expenditures of Federal Awards and State Grants	34-36
Schedule of Findings and Questioned Costs	37-38
Reports on Compliance and on Internal Control	39-42

East Tennessee Human Resource Agency, Inc.
Gary Holliday, Executive Director
Board of Directors and Policy Council
As of June 30, 2015

Anderson County

- *+ County Mayor Terry Frank -Treasurer
Mayor Scott Burton, Clinton
Mayor Michael Lovely, Rocky Top
Mayor Chris Mitchell, Norris
Mayor Warren Gooch, Oak Ridge
- *** Mr. Tim Thompson
- ** Mr. Thomas Byrge

Blount County

- County Mayor Ed Mitchell
- *+ Mayor Donald Mull, Alcoa
Mayor Tom Taylor, Maryville
Mayor Tom Bickers, Louisville
Mayor Michael Talley, Townsend
Mayor Carl Koella, Rockford
Mayor Ann Edmonds, Friendsville
- ** Mr. David Buchanan
- *** Mr. Bryan Daniels

Campbell County

- *+ County Mayor E.L. Morton
Mayor Chris Stanley, Caryville
Mayor Mike Stanfield, LaFollette
Mayor Jack Cannon, Jacksboro
Mayor Forster Baird, Jellico
- ** Mr. Tom Stiner

Claiborne County

- * County Mayor Jack Daniels
Mayor Bill McGaffe, Cumberland Gap
Mayor Bill Fultz, Harrogate
Mayor Jerry Beeler, New Tazewell
Mayor Wayne Jessie, Tazewell
- * Ms. Robin Ruez

Cocke County

- * County Mayor Crystal Ottinger
Mayor DeWayne Daniel, Parrottsville
Mayor Connie Ball, Newport
- ** Mr. Tim Dockery
- *** Mr. Glenn Ray

General Assembly

Senator Ken Yager
Representative Kelly Keisling

Grainger County

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

Hamblen County

- *+ County Mayor Bill Brittain - Vice Chair
Mayor Danny Thomas, Morristown
- *** Mr. Marshall Ramsey

Jefferson County

- County Mayor Alan Palmieri
Mayor Charles Summer, Baneberry
Mayor George Gantte, Dandridge
Mayor Mark Potts, Jefferson City
Mayor Charles Guinn, New Market
Mayor Stanley Wilder, White Pine
- *** Mr. Rodney Davis
- ** Ms. Joan Bolden
- ** Ms. Diane Howard

Knox County

- County Mayor Tim Burchett
Mayor Ralph McGill, Farrugut
Mayor Madeline Rogero, Knoxville
- ** Ms. Susan Long
- *** Ms. Sarah Fansler

Loudon County

- * County Mayor Buddy Bradshaw
Mayor Tom Peeler, Greenback
Mayor Tony Aikens, Lenoir City
Mayor Jim Greenway, Loudon
Mayor John Drinnen, Philadelphia
- *** Mr. Pat Phillips
- ** Mr. Bryant Howard

Monroe County

- * County Mayor Tim Yates
Mayor Glenn Moser, Madisonville
Mayor Doyle Lowe, Sweetwater
Mayor Patrick Hawkins, Tellico Plains
Mayor Bob Lovingood, Vonore
- * Mr. Bryan Hall

Morgan County

- * County Executive Don Edwards
Mayor Joey Williams, Wartburg
Mayor Buddy Miller, Oakdale
Mayor Dennis Reagan, Sunbright
- ** Ms. Sharon Heidel

Roane County

- *+ County Executive Ron Woody
Mayor Chris Mason, Harriman
- * Mayor Tim Neal, Kingston
Mayor Jerry Vann, Oliver Springs
Mayor Mike Miller, Rockwood

Scott County

- * County Mayor Dale Perdue
Mayor George Potter, Huntsville
Mayor Jack Lay, Oneida
Mayor Virgil Cecil, Winfield
- *** Mr. David Cross

Sevier County

- * County Mayor Larry Waters - Chair
Mayor Mike Helton, Gatlinburg
Mayor David Wear, Pigeon Forge
Mayor Glenn Cardwell, Pittman Center
Mayor Bryan Atchley, Sevierville
- *** Ms. Earlene Teaster
- ** Ms. Jane Howes

Union County

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

Key

- * Policy Council and Governing Board
- ** Policy Council Only (Resource Rep)
- *** Resource Rep
- + Audit Committee



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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, 2015. ETHRA's financial performance is presented and analyzed within the context of the accompanying financial statements with appropriate disclosures, following this section.

ETHRA has implemented Governmental Accounting Standards Board Statement 34 (GASB 34). Fiscal year 2003 was the first year of presentation by ETHRA under the revised format required by GASB 34.

Overview of the Basic Financial Statements

The basic financial statements are comprised of four sections:

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

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

For the government-wide financial statements, the primary change for ETHRA is the presentation of all capital assets with calculated depreciation. The financial records retain most capital assets as completely expended to grants when purchased. The historical costs of all capital assets are included on the Statement of Net Position (net of calculated accumulated depreciation). The current year calculated depreciation is included in the Statement of Activities. Current year capital expenditures and capital lease payments are removed to prevent duplicate measurement. The effects of this change are reconciled on the government fund financial statements.

The governmental financial statements combine General Fund and Human Resource Services Fund operations. Governmental financial statements are presented on the traditional modified accrual basis with the addition of the reconciliation to the government-wide financial statements.

The General Fund only includes ETHRA administration and unrestricted resource management.

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

The Proprietary Fund financial statements present all business-like activities. The agency operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, Housing and Urban Development (“HUD”) Housing Choice Voucher (“HCV”) Program, which administers housing vouchers to eligible people for rental assistance and Transportation Enterprise, which includes fixed contracts for transportation services that are not based on participant fees. These activities are reported as business-like activities for fiscal year 2015.

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

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

Analysis of Financial Position

Financial Summary

	2015	2014	Increase/ (Decrease)
ASSETS			
Cash and cash equivalents	\$ 4,851,622	\$ 5,137,316	\$ (285,694)
Capital assets (net of accumulated depreciation)	2,334,887	3,412,578	(1,077,691)
Receivables from grantors, contractors, and others	7,191,371	5,253,585	1,937,786
Prepaid expenses and deposits	325,698	237,610	88,088
TOTAL ASSETS	14,703,577	14,041,089	662,488
TOTAL LIABILITIES			
Investment in capital assets	2,334,887	3,412,578	(1,077,691)
Restricted net position	1,201,291	1,163,302	37,989
Unrestricted net position	7,135,881	5,485,465	1,650,416
TOTAL NET POSITION	\$ 10,672,058	\$ 10,061,345	\$ 610,713
REVENUES			
Operating grants and contributions	\$ 26,802,710	\$ 25,453,927	\$ 1,348,783
Charges for services	10,427,995	11,794,233	(1,366,238)
Assessment to local governments	280,340	253,590	26,750
TOTAL REVENUES	\$ 37,511,045	\$ 37,501,750	\$ 9,295
EXPENSES			
General government	\$ 3,324,663	\$ 3,531,891	\$ (207,228)
Aging	6,503,611	6,632,810	(129,199)
ETHRA Aging	1,223,120	1,277,370	(54,250)
Transportation	8,432,131	8,684,133	(252,002)
Workforce development	3,838,164	3,869,343	(31,179)
Housing and restoration	2,532,691	2,334,250	198,441
Title V	1,254,494	1,233,227	21,267
AIDS support	1,028,780	873,632	155,148
Corrections and probation	1,687,068	1,656,446	30,622
Child and Family Assistance	1,043,118	1,036,740	6,378
Homemaker	519,633	483,563	36,070
Mountain Valley	348,293	365,812	(17,519)
SSI	-	38,919	(38,919)
Loan	(8,016)	59,984	(68,000)
Misdemeanor	1,325,173	1,362,865	(37,692)
Transportation Enterprise	106,314	115,057	(8,743)
HUD Housing Choice Voucher	3,741,091	3,745,647	(4,556)
TOTAL EXPENSES	\$ 36,900,328	\$ 37,301,689	\$ (401,361)
CHANGE IN NET ASSETS	\$ 610,717	\$ 200,061	\$ 410,656

The nature of operating grants and social programs require great attention to available cash. Many of the grants and programs operate on a reimbursement basis. In those cases, cash is needed to fund operations for a time until the reimbursement is received. Therefore, it is critical to manage available cash to ensure that programs can continue operating when services are needed.

In addition to the issue of reimbursement, many grants and contracts require a cash match as a condition of operating the grant. The only form of unrestricted cash available to ETHRA is the assessments to the counties served by ETHRA and undesignated donations. In 2015, ETHRA continued to receive an appropriation from the State of Tennessee budget.

ETHRA showed an improvement in net position of \$610,717.

Program Highlights

Overall, during FY 15, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget. On a positive note, the transportation program continues to improve. This is significant as it relieves some of the financial pressures related to other programs. ETHRA suffered a significant loss when the call center was moved to Tennessee Carriers. Weatherization continues to operate a loss. A few programs; mobile meals, senior centers, and child care food are receiving lower revenues, which is impacting the delivery of these services. There are ongoing discussions about increasing revenues and reducing costs to maintain the financial stability of the affected programs.

Economic Factors and Next Fiscal Year

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

Contact Information

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

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MORRISTOWN, TENNESSEE 37816-1779
423-586-7650

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. (ETHRA), Knoxville, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ETHRA as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ETHRA's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, schedule of grant activity-noncash, and schedule of expenditures of federal awards and state grants, and other financial information are presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, schedule of grant activity-noncash, and schedule of expenditures of federal awards and state grants, HUD housing choice voucher program financial data schedule, and other financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare and basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and

other financial information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of ETHRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ETHRA's internal control over financial reporting and compliance.

Craine Thompson + Jones, P.C.

Morristown, Tennessee
November 10, 2015

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,830,090	\$ 1,004,452	\$ 4,834,542
Investments	17,081	-	17,081
Receivables, net of allowance for uncollectible accounts	6,167,908	54,061	6,221,969
Internal receivable, net			-
Loans receivable	969,402	-	969,402
Deposits	5,744	-	5,744
Prepaid expenditures	319,954	-	319,954
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	836,692	-	836,692
Furniture and equipment	193,653	-	193,653
Leasehold improvements	16,537	-	16,537
Vehicles	1,170,436	84,954	1,255,390
Total capital assets	<u>2,249,932</u>	<u>84,954</u>	<u>2,334,886</u>
Total assets	<u>13,560,111</u>	<u>1,143,467</u>	<u>14,703,578</u>
<u>LIABILITIES</u>			
Accounts payable	1,252,164	12,169	1,264,333
Accrued expenses	2,749,539	17,660	2,767,199
Deferred revenue	(12)	-	(12)
Advances	-	-	-
Due in more than one year			
Total liabilities	<u>4,001,691</u>	<u>29,829</u>	<u>4,031,520</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,249,932	84,954	2,334,886
Restricted for:			
THDA - House Loan	1,029,775	-	1,029,775
MVEOA	154,435	-	154,435
East Tennessee Foundation Investment	17,081	-	17,081
Unrestricted	6,107,197	1,028,684	7,135,881
Total net position	<u>\$ 9,558,420</u>	<u>\$ 1,113,638</u>	<u>\$ 10,672,058</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses			Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Direct	Indirect	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total
							Business-type Activities		
Primary government									
Governmental activities									
General government	\$ 3,324,666	\$ (2,358,619)	\$ 9,132	\$ 12,721	\$ -	\$ (944,194)	\$ -	\$ (944,194)	
Aging	6,503,612	289,178	35,922	7,875,423	-	1,118,554	-	1,118,554	
ETHRA Aging	1,223,120	103,695	61,179	275,963	-	(989,673)	-	(989,673)	
Transportation	8,432,131	1,067,131	4,605,914	5,965,220	-	1,071,872	-	1,071,872	
Workforce development	3,838,164	297,588	50,624	4,101,761	-	16,632	-	16,632	
Housing and restoration	2,532,691	35,892	(200)	2,521,897	-	(46,887)	-	(46,887)	
Title V	1,254,494	19,893	-	1,274,332	-	(55)	-	(55)	
AIDS support	1,028,780	23,512	-	1,051,816	-	(476)	-	(476)	
Corrections and probation	1,687,068	131,283	78,606	1,764,207	-	24,462	-	24,462	
Child and Family Assistance	1,043,118	15,753	3,167	1,076,898	-	21,194	-	21,194	
Homemaker	519,633	76,465	-	492,802	-	(103,296)	-	(103,296)	
Mountain Valley	348,293	45,547	10	358,586	-	(35,244)	-	(35,244)	
Loan	(8,016)	-	-	31,084	-	39,100	-	39,100	
Total governmental activities	31,727,754	(252,682)	4,844,353	26,802,710	-	171,991	-	171,991	
Business-type activities									
Misdemeanor	1,325,173	190,870	1,559,353	-	-	-	43,310	43,310	
Transportation Enterprise	106,314	11,339	180,229	-	-	-	62,576	62,576	
HUD Housing Choice Voucher	3,741,091	50,473	3,844,060	-	-	-	52,496	52,496	
Total business-type activities	5,172,578	252,682	5,583,642	-	-	-	158,382	158,382	
Total primary government	\$ 36,900,332	\$ -	\$ 10,427,995	\$ 26,802,710	\$ -	\$ 171,991	\$ 158,382	\$ 330,373	
General revenues:									
Assessments to local governments						280,340	-	280,340	
Transfers						-	-	-	
Total general revenues						280,340	-	280,340	
Change in net position						452,331	158,382	610,713	
Net position - beginning						9,106,089	955,256	10,061,345	
Net position - ending						\$ 9,558,420	\$ 1,113,638	\$ 10,672,058	

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Balance Sheet
Governmental Funds
June 30, 2015

	General	Human Resource Services	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,626,983	\$ (410,638)	\$ 1,216,345
Investments	17,081	-	17,081
Grant and contract receivables, net of allowance for uncollectibles	-	6,168,073	6,168,073
Loans receivable	-	969,402	969,402
Deposits	5,744	-	5,744
Prepaid expenditures	1,075	1,200	2,275
Construction in progress	-	-	-
Total assets	\$ 1,650,883	\$ 6,728,037	\$ 8,378,920
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Checks written in excess of cash balance	\$ -	\$ -	\$ -
Accounts payable	52,732	1,168,235	1,220,967
Accrued expenses	35,756	179,769	215,525
Deferred revenue	-	(12)	(12)
Advances	-	-	-
Total liabilities	88,488	1,347,992	1,436,480
 Fund balances:			
Nonspendable	6,819	12	6,831
Restricted	17,081	5,380,033	5,397,114
Assigned	-	-	-
Unassigned	1,538,495	-	1,538,495
Total fund balances	1,562,395	5,380,045	6,942,440
Total liabilities and fund balances	\$ 1,650,883	\$ 6,728,037	

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 \$7,483,868	2,249,932
Capital assets purchases capitalized	160,672
Increase in net position of internal service funds	205,376
 Net position of governmental activities	 \$ 9,558,420

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	General	Human Resource Services	Total Governmental Funds
<u>REVENUES</u>			
Grantor contributions	\$ -	\$ 25,979,830	\$ 25,979,830
Program income	-	4,740,891	4,740,891
USDA	-	374,800	374,800
Assessments to local governments	243,290	37,050	280,340
In-kind contributions	9,132	404,684	413,816
Interest income	-	27,154	27,154
Other income	12,721	97,851	110,572
Total revenues	<u>265,143</u>	<u>31,662,260</u>	<u>31,927,403</u>
<u>EXPENDITURES</u>			
Current:			
General	28,871	-	28,871
Aging	-	6,792,789	6,792,789
ETHRA Aging	-	1,326,815	1,326,815
Workforce Development	-	4,135,752	4,135,752
Title V	-	1,274,387	1,274,387
LIHEAP WAP	-	2,568,583	2,568,583
Transportation Call Center	-	9,499,262	9,499,262
Community Corrections	-	1,818,351	1,818,351
Child Care Food	-	1,058,871	1,058,871
Homemaker	-	596,098	596,098
Mountain Valley	-	393,840	393,840
AIDS Support	-	1,052,292	1,052,292
SSI	-	-	-
Loan Program	-	(8,016)	(8,016)
Total expenditures	<u>28,871</u>	<u>30,509,023</u>	<u>30,537,893</u>
Excess of revenues over expenditures	<u>236,273</u>	<u>1,153,237</u>	<u>1,389,510</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in - match	-	136,781	136,781
Transfers out - match	(137,500)	-	(137,500)
Total other financing sources (uses)	<u>(137,500)</u>	<u>136,781</u>	<u>(719)</u>
Net change in fund balance	<u>98,773</u>	<u>1,290,019</u>	<u>1,388,792</u>
Fund balances - beginning, before adjustment	1,463,622	4,090,030	5,553,652
Fund balances used to create proprietary fund	-	-	-
Fund balances - beginning, as adjusted	<u>1,463,622</u>	<u>4,090,030</u>	<u>5,553,652</u>
Fund balances - ending	<u>\$ 1,562,395</u>	<u>\$ 5,380,049</u>	<u>\$ 6,942,444</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 1,388,792

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

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

Depreciation expense	(1,002,847)
Capital assets purchases capitalized	(133,896)
Proceeds from sale of capital assets	(5,813)
Transfers (to)/from proprietary funds	719
Increase/(Decrease) in net position of internal service funds	205,376
	<u>(936,461)</u>

Change in net position of governmental activities \$ 452,331

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2015

	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 318,732	\$ 225,303	\$ 460,417	\$ 1,004,452	\$ 2,613,745
Accounts receivable	-	-	36,831	36,831	-
Grants receivable	-	17,230	-	17,230	-
Payroll receivables	-	-	-	-	(165)
Prepaid expenditures	-	-	-	-	317,679
Total current assets	318,732	242,533	497,248	1,058,513	2,931,259
Noncurrent Assets:					
Capital assets					
Furniture and equipment, net				-	
Vehicles, net	417	3,655	80,882	84,954	1,182,739
Total noncurrent assets	417	3,655	80,882	84,954	1,182,739
Total assets	\$ 319,149	\$ 246,188	\$ 578,130	\$ 1,143,467	\$ 4,113,998
 <u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable	\$ 9,200	\$ 2,948	\$ 21	\$ 12,169	\$ 31,197
Accrued expenses	14,157	2,991	512	17,660	2,534,014
Total current liabilities	23,357	5,939	533	29,829	2,565,211
Noncurrent Liabilities:					
Capital lease payable				0	
Total liabilities	23,357	5,939	533	29,829	2,565,211
 <u>NET POSITION</u>					
Net investment in capital assets	417	3,655	80,882	84,954	1,182,739
Temporarily restricted net position	-	-	-	-	71,451
Unrestricted net position	295,375	236,594	496,715	1,028,684	294,597
Total net position	\$ 295,792	\$ 240,249	\$ 577,597	\$ 1,113,638	\$ 1,548,787

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>Transportation Enterprise</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
<u>OPERATING REVENUES</u>					
Grantor contributions	\$ -	\$ -	\$ -	\$ -	\$ 122,547
Program income	1,559,187	3,841,312	180,229	5,580,728	0
Other revenue	166	2,748	-	2,914	129,778
Total operating revenues	<u>1,559,353</u>	<u>3,844,060</u>	<u>180,229</u>	<u>5,583,642</u>	<u>252,325</u>
<u>OPERATING EXPENSES</u>					
Salaries	748,944	212,458	47,401	1,008,803	-
Fringe benefits	212,981	57,456	13,053	283,490	(15,523)
Grant and program costs	-	3,388,444	-	3,388,444	-
Occupancy	125,290	20,937	-	146,227	-
Consultants and contracted services	3,103	4,987	118	8,208	4,000
Gasoline	-	-	12,965	12,965	23,103
Telephone	38,018	8,053	402	46,473	-
Training and conferences	44,400	131	-	44,531	-
Travel	87,157	5,023	-	92,180	-
Supplies	16,867	1,348	96	18,311	-
Insurance and bonding	20,561	5,998	4,575	31,134	22,475
Maintenance and repairs	22,841	10,790	96	33,727	12,774
Rentals	-	6,837	599	7,436	-
Depreciation	2,000	7,310	26,961	36,271	1,002,847
Postage and freight	6,504	8,354	-	14,858	-
Printing	12,373	2,486	48	14,907	-
Other expenses	(15,866)	479	-	(15,387)	120
Transfers	-	-	-	0	(719)
Indirect cost allocation	190,870	50,473	11,339	252,683	-
Total operating expenses	<u>1,516,043</u>	<u>3,791,564</u>	<u>117,653</u>	<u>5,425,261</u>	<u>1,049,077</u>
Operating income	43,310	52,496	62,576	158,382	(796,752)
Total net position - beginning	<u>252,482</u>	<u>187,753</u>	<u>515,021</u>	<u>955,256</u>	<u>2,345,539</u>
Total net position - ending	<u>\$ 295,792</u>	<u>\$ 240,249</u>	<u>\$ 577,597</u>	<u>\$ 1,113,638</u>	<u>\$ 1,548,787</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Child care fee receipts				-	
Supervision fee receipts	\$ 1,515,574	\$ -	\$ -	\$ 1,515,574	\$ -
Fee receipts	43,613	3,844,060	180,229	4,067,902	-
Grants					140,587
Receipts of contributions				-	
Other revenue	-	-	-	-	129,778
Receipts of interest	166	-	-	166	-
Payments to employees	(739,556)	(210,786)	(47,105)	(997,447)	
Payments for fringe benefits	(212,981)	(57,456)	(13,053)	(283,490)	15,523
Payments to vendors	(370,946)	(3,466,670)	(17,796)	(3,855,412)	(19,467)
Payments for indirect costs	(190,870)	(50,473)	(11,339)	(252,682)	-
Payments for close-out				-	
Net Cash Provided by Operating Activities	<u>45,000</u>	<u>58,675</u>	<u>90,936</u>	<u>194,611</u>	<u>266,421</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds			-	-	719
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>719</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	-	-	(133,896)
Proceeds from sale of capital assets	-	-	-	-	32,765
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,131)</u>
Net Increase in Cash and Cash Equivalents	45,000	58,675	90,936	194,611	166,009
Balance - beginning of the year	<u>273,732</u>	<u>166,628</u>	<u>369,481</u>	<u>440,360</u>	<u>2,447,736</u>
Balances - end of the year	<u>\$ 318,732</u>	<u>\$ 225,303</u>	<u>\$ 460,417</u>	<u>\$ 1,004,452</u>	<u>\$ 2,613,745</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 43,310	\$ 52,496	\$ 62,576	\$ 158,382	\$ (796,752)
Adjustments:					
Depreciation expense	2,000	7,310	26,961	36,271	1,002,847
Transfers to other funds	-	-	0	-	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable				-	
(Increase) decrease in grants receivable	-	8,770	1,082	9,852	18,040
(Increase) decrease in payroll receivables	-	-	-	-	118,518
(Increase) decrease in prepaid expenditure	-	-	-	-	(156,880)
Increase (decrease) in accounts payable	(9,698)	(11,573)	21	(21,250)	25,804
Increase (decrease) in accrued expenses	9,388	1,672	296	11,356	55,563
Net Cash Provided by Operating Activities	<u>\$ 45,000</u>	<u>\$ 58,675</u>	<u>\$ 90,936</u>	<u>\$ 194,611</u>	<u>\$ 267,140</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Fiduciary Funds
June 30, 2015

	<u>Public Guardian</u>	<u>HUD Escrow</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 133,116	\$ 18,941
Due from other funds	-	-
Other receivables	-	1,047
Investments, at fair value:	-	-
Investment accounts	484,012	-
Bonds	-	-
Stocks	-	-
Land and buildings	1,436,000	-
Total assets	2,053,128	19,988
 <u>LIABILITIES</u>		
Accounts payable	9,820	54
Accrued expenses	10,180	-
Employee volunteer	-	-
Assets held for others	-	-
Total liabilities	20,000	54
 <u>NET POSITION</u>		
Held in trust	\$ 2,033,128	\$ 19,934

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>Public Guardian</u>	<u>HUD Escrow</u>
<u>ADDITIONS</u>		
Contributions	\$ 429,303	\$ 11,185
Trust account income	262,334	-
Other revenue	37	1,464
Interest	87	2
Total additions	<u>691,761</u>	<u>12,651</u>
<u>DEDUCTIONS</u>		
Distributions from escrow	-	11,213
Forfeitures/Moveout	-	2,321
Nursing home/residential care	180,495	-
Legal	51,135	-
Living expenses	53,131	-
Burial expenses	9,532	-
Medical and dental	41,597	-
Fees transfer	13,801	-
Taxes	3,594	-
Insurance	2,845	732
Furnishings	-	-
Other expenses	103,969	-
Distributions to beneficiaries	250,610	-
Total deductions	<u>710,709</u>	<u>14,266</u>
Net position - beginning of year	2,052,076	21,550
Net position - end of year	<u>\$ 2,033,128</u>	<u>\$ 19,934</u>

See accompanying notes to the financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The Governing Board consists of:

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

The Policy Council consists of:

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

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

Basis of Presentation

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

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

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

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

Accounting Structure and Basis

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

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

Accounting transactions are tracked according to program activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Budgetary Process

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

NOTE 2: RECEIVABLES, DEPOSITS AND INVESTMENTS

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is based upon a credit review of the accounts receivable, past debt experience, current economic conditions and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors and, it is at least reasonably possible that a change in the estimate will occur in the near term. No allowance is necessary for grantor receivables at June 30, 2015. The allowance for uncollectible accounts for other receivables was \$58,851 at June 30, 2015.

Deposits

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

Investments

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the Agency to invest in Treasury bonds, notes or bills of the United States; non-convertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or its agencies;

certificates of deposit at State and Federal chartered banks and savings and loan associations, obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing instruments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the Local Government Investment Pool ("LGIP"); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority. State statutes limit maturities of the above instruments to two years from the date of investment unless a longer maturity is approved by the State Director of Local Finance. Investments are recorded at fair value. The agency has not adopted a formal investment policy that limits its interest rate or credit risk.

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

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

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

NOTE 3: INTERFUND RECEIVABLE/PAYABLE ACCOUNTS

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

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

NOTE 4: PREPAID ITEMS

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

NOTE 5: DEFERRED COMPENSATION PLAN

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

The tax-deferred annuity plan was established in accordance with Section 403(b) of the Internal Revenue Service Code. The plan allows employees to shelter a portion of their salaries. All costs for administering this program are the responsibility of the plan participants. Since the 403(b) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. ETHRA is the plan administrator. The plan advisors are Rather and Kittrell. The plan custodian is Unified Trust.

Employees may have as much of their gross compensation deducted as they choose, up to the maximum allowed by the Internal Revenue Service. A matching payment is made by the agency each payroll period. The agency will match any amount up to 5 percent of an employee's gross compensation, depending upon the employee's deduction. Employees can request a loan against their plan balances. Otherwise, the funds are not available to employees until termination, death, or unforeseeable emergency. The plan has a three year vesting period for new employees. During the vesting period, the matching amount is applied to the employee's account, but is not available to the employee until they are fully vested. Employee deferrals for the year ended June 30, 2015, were \$334,265 and ETHRA's matching contribution was \$257,633.

NOTE 6: OPERATING LEASE AGREEMENTS

The agency leases offices and storage space to administer agency programs. All leases are cancelable at the agency's option. The agency incurred operating lease payments of \$930,688 in fiscal year 2015. The contingent lease payments for fiscal year 2016 amount to \$931,335.

NOTE 7: CAPITAL ASSETS

Governmental and business-type activities' capital asset changes for the year ended June 30, 2015 were as follows:

Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
<hr/>				
Other capital assets:				
Buildings Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,319,409	-	-	2,319,409
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	5,819,466	133,896	(45,696)	5,907,666
Total other capital asset at cost	<u>9,612,986</u>	<u>133,896</u>	<u>(45,696)</u>	<u>9,701,186</u>
Less accumulated depreciaton for:				
Buildings Total	(355,512)	(38,525)	-	(394,037)
Furniture & Equipment Total	(2,014,139)	(111,617)	-	(2,125,756)
Leasehold improvements Total	(217,395)	(9,450)	-	(226,845)
Vehicles Total	<u>(3,767,201)</u>	<u>(982,960)</u>	<u>12,931</u>	<u>(4,737,230)</u>
Total accumulated depreciation	<u>(6,354,247)</u>	<u>(1,142,553)</u>	<u>12,931</u>	<u>(7,483,868)</u>
Governmental capital assets net	<u>3,291,353</u>	<u>(1,008,657)</u>	<u>(32,765)</u>	<u>2,249,932</u>
<hr/>				
Business-type capital assets:				
Vehicles	228,953	-	-	228,953
Accumulated depreciation	<u>(107,728)</u>	<u>(36,271)</u>	<u>-</u>	<u>(143,999)</u>
Business-type capital assets, net	<u>121,225</u>	<u>(36,271)</u>	<u>-</u>	<u>84,954</u>
<hr/>				
Total capital assets	<u>\$ 3,412,578</u>	<u>\$ (1,044,928)</u>	<u>\$ (32,765)</u>	<u>\$ 2,367,500</u>

Depreciation expenses for the year ended June 30, 2015 was charged to programs/functions as follows:

	Depreciation
Administration	\$ 53,596
Aging	8,168
Child development	1,254
Corrections and probation	20,143
Housing and restoration	0
Transportation	1,048,180
Workforce development	<u>11,210</u>
Total depreciation and capital expenses governmental activities	<u>1,142,553</u>
HUD housing choice voucher	7,310
Oak Ridge Transit	26,961
Misdemeanor	<u>2,000</u>
Total depreciation and business-type activities	<u>36,271</u>
	<u>\$ 1,178,823</u>

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

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

Capital assets purchased from grants are recorded at acquisition cost and are shown as capital expenditures in the governmental financial statements but are properly reclassified to the Statement of Net Assets as capital assets in the government-wide financial statements. Capital assets acquired from unrestricted resources are depreciated on a straight-line basis over 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.

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

NOTE 8: FUND BALANCE

Fund balance is reported in governmental funds under the following categories using definitions provided by GASB Statement 54. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The fund balance amounts must be reported within one of the fund balance categories 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 FY15.

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

The balances shown reflect the amounts from service contracts, or similar, greater than the amounts required by the grant contracts for match.

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

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

could be used, it is our policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 9: CONTINGENCIES

Sick Leave

The agency records the cost of sick leave when paid. Since sick leave (earned one day per month with a maximum of 60 days) is generally paid only when an employee is absent because of illness, injury, or related family death, there is no recorded liability for sick leave. The amount of unused sick leave was \$1,125,290 at June 30, 2015. Although there is no cash reimbursement for unused sick leave; at termination of employment, a portion of the cash value of unused sick leave, based on Board approval annually, may be placed in an employee's retirement account. An employee must be employed and a member of the retirement system for three years to be eligible for this benefit.

Litigation

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

NOTE 10: RISK MANAGEMENT

The Agency participates in the Tennessee Municipal League (TML) Risk Management Pool for the following risks of loss: commercial general liability, bodily injury, property damage, physical damage, personal injury liability for vehicle operation, worker's compensation, employer's liability, employee dishonesty; theft of, damage to, or destruction of real and personal property; and personal injury. The Agency's agreement with the TML Risk Management Pool provides for payment of premiums. The agreement also provided for refunds to members and additional member assessments. Additional member assessments are based on the experience of the pool. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

The Agency provides basic health, disability, and life insurance coverage for its employees through commercial insurance policies. The Agency's maximum obligation under the basic health insurance policy is limited to \$517 and \$1,167 per month per employee for single and family coverage, respectively. The Agency's obligation under the disability and life insurance policies are based on the employee's rate of pay.

NOTE 11: GRANTS

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

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures by Program
Governmental Funds
For the Year Ended June 30, 2015

	General	Aging	ETHRA Aging	Workforce Development	Title V	LIHEAP WAP	Transportation Call Center	Community Corrections	Child Care Food	Homemaker	Mountain Valley	AIDS Support	SSI Payee	Loan	Total
EXPENDITURES															
Current:															
Salaries	\$ 1,170,347	\$ 1,220,865	\$ 448,048	\$ 1,383,093	\$ 85,477	\$ 140,615	\$ 4,564,221	\$ 1,043,368	\$ 66,320	\$ 318,434	\$ 190,917	\$ 96,911	\$ -	\$ -	\$ 10,728,615
Fringe Benefits	319,331	319,356	99,773	360,361	19,119	39,435	1,073,146	288,903	17,066	85,830	49,615	26,330	-	-	2,698,267
Professional Fees	238,503	115,788	45,466	5,097	1,626	3,221	595,765	2,275	1,550	771	5,757	1,401	-	1,153	1,018,373
Supplies	203,989	22,818	25,056	58,170	229	899	68,923	15,750	2,297	5,241	4,855	1,126	-	41	409,394
Telephone	48,215	28,188	15,274	66,772	2,708	3,069	165,549	46,536	2,290	6,462	8,066	2,890	-	-	396,018
Postage and Freight	4,742	3,407	2,931	7,701	1,825	8,329	2,497	1,529	1,633	71	758	3,208	-	11	38,642
Equipment Rental															
Printing & Publications	122,148	12,623	10,368	43,446	1,185	4,977	55,858	14,613	2,585	4,514	3,905	1,113	-	-	277,335
Travel, Training, Conferences	7,654	2,341	1,560	8,935	176	1,881	11,714	2,127	660	555	563	248	-	-	38,413
Insurance	114,160	117,747	73,917	90,073	6,967	3,307	47,885	98,168	13,026	75,650	17,192	18,386	-	-	676,478
Occupancy	6,423	14,314	8,902	27,579	883	1,523	231,677	44,507	1,888	3,451	3,048	1,214	-	-	345,409
Fuel & Maintenance	134,202	85,429	42,362	523,256	4,993	9,497	140,420	118,682	5,796	17,411	17,734	8,807	-	-	1,108,589
Grants & Allocations	-	-	-	131,648	-	-	1,430,887	-	926,083	-	-	454,708	-	-	1,430,887
Participant	-	3,000,257	239,700	1,048,217	981,943	2,314,580	513	6,504	-	-	45,434	406,056	-	-	4,512,695
Other	8,642	9,947	6,364	57,847	1,996	1,358	43,076	4,105	1,926	1,245	448	6,382	-	567	6,564,098
Indirect cost allocation	(2,558,618)	289,178	103,695	297,588	19,893	35,892	1,067,131	131,283	15,753	76,465	45,547	23,512	-	(9,787)	133,547
In-Kind	9,132	29,948	203,401	25,969	145,366	-	-	-	-	-	-	-	-	-	(252,682)
Total expenditures	28,871	6,792,789	1,326,815	4,135,752	1,274,387	2,568,583	9,499,262	1,818,351	1,058,871	596,098	393,840	1,052,292	-	(8,016)	30,537,894

OTHER FINANCING SOURCES (USES)

Transfers - match	137,500	917,956	(915,654)	-	(27,302)	-	-	-	-	(112,500)	-	-	719	-	719
Total other financing sources (uses)	137,500	917,956	(915,654)	-	(27,302)	-	-	-	-	(112,500)	-	-	719	-	719
Total expenditures	\$ 166,371	\$ 7,710,745	\$ 411,161	\$ 4,135,752	\$ 1,274,387	\$ 2,568,583	\$ 9,471,960	\$ 1,818,351	\$ 1,058,871	\$ 483,598	\$ 393,840	\$ 1,052,292	\$ 719	\$ (8,016)	\$ 30,538,613

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Schedule of Agency Funds
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 16,988
Total assets	<u>\$ 16,988</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 88
Assets held for others	<u>16,900</u>
Total liabilities	<u>\$ 16,988</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS</u>				
Contributions from employees	\$ 17,059	\$ 1,729	\$ 1,800	\$ 16,988
Total assets	<u>\$ 17,059</u>	<u>\$ 1,729</u>	<u>\$ 1,800</u>	<u>\$ 16,988</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 443	\$ 1,324	\$ 1,679	\$ 88
Employee volunteer/Assets held for others	<u>16,616</u>	<u>1,608</u>	<u>1,324</u>	<u>16,900</u>
Total liabilities	<u>\$ 17,059</u>	<u>\$ 2,932</u>	<u>\$ 3,003</u>	<u>\$ 16,988</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>Public Guardian</u>	<u>HUD Escrow</u>
<u>ADDITIONS</u>		
Client/Escrow assets transferred	\$ 429,303	\$ 11,185
Retirement/disability income	222,072	-
Gain on sale of property	37,907	-
Other income	37	1,464
Tax refunds/stimulus payments	2,355	-
Interest income	87	2
Total additions	<u>691,761</u>	<u>12,651</u>
<u>DEDUCTIONS</u>		
Distributions from escrow	-	11,214
Forfeitures/Moveout	-	2,321
Nursing home/residential care	180,495	-
Legal	51,135	-
Living expenses	52,653	-
Burial expenses	9,532	-
Medical and dental	41,597	-
Fees transfer	13,801	-
Taxes	3,594	-
Insurance	2,845	732
Furnishings	0	-
Other expenses	104,447	-
Distributions to beneficiaries	250,610	-
Total deductions	<u>710,709</u>	<u>14,267</u>
Net decrease in net assets	(18,948)	(1,616)
Net assets - beginning of year	<u>2,052,076</u>	<u>21,550</u>
Net assets - end of year	<u>\$ 2,033,128</u>	<u>\$ 19,934</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.

Schedule of Grant Activity

For Year Ended June 30, 2015

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY15 PROJECT	Balance July 1, 2014	Cash Receipts	Transfers In	Expenditures	Transfers Out	Payments made to State	Balance June 30, 2015
93.044	37478	Aging Services - III-B	TN Commission on Aging	02716	355,574	972,500		(938,153)		289,921	3
93.044	37478	Aging Services - III-B	TN Commission on Aging	02716	(137,500)					(137,500)	1
93.045	37478	Aging Planning - III-C adm	TN Commission on Aging	02716	122,025	271,100		(293,631)		99,494	1
93.045	37478	Aging Planning - III-C adm	TN Commission on Aging	02716	(44,500)					(44,500)	1
93.045	37478	Aging Planning - III-C 1 Con	TN Commission on Aging	02716	82,638	597,400		(626,659)		53,379	3
93.045	37478	Aging Planning - III-C 1 Con	TN Commission on Aging	02716	(85,100)					(85,100)	1
93.045	37478	Aging Services - III-C 2/HD Nutrition Services	TN Commission on Aging	02317	(453)			(1,580,526)		5,727	3
93.045	37478	Aging Services - III-C 2/HD Nutrition Services	TN Commission on Aging	02716	60,853	1,448,400		(1,327,000)		5,727	3
93.045	37478	Aging Services - III-C 2/HD A/R/A Nutrition Services	TN Commission on Aging	02313	(296)					(296)	1
93.043	37478	Aging Services - III-D In-home Services PH	TN Commission on Aging	02716	13,666	64,800		(48,518)		29,947	3
93.043	37478	Aging Services - III-D In-home Services PH	TN Commission on Aging	02716	(10,600)					(10,600)	1
93.043	37478	Aging Services - III-E Caregiver	TN Commission on Aging	02716	27,689			(27,689)			3
93.052	37478	Aging Services - III-E Caregiver	TN Commission on Aging	02716		54,900		(54,900)			3
93.052	37478	Aging Services - III-E Caregiver	TN Commission on Aging	02716	0	443,100		(374,348)		68,752	3
93.052	37478	Aging Services - III-E Caregiver	TN Commission on Aging	02716		(73,400)				(73,400)	1
93.041	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	02716	12,269	14,700		(11,577)		15,392	3
93.042	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	02716		(2,460)				(2,460)	1
93.053	37478	Aging Services - USDA/NSIP	TN Commission on Aging	02716	629	374,800		(63,700)			3
93.053	37478	Aging Services - USDA/NSIP	TN Commission on Aging	02716		(375,428)					3
93.045	37478	Aging Services - III-E Match	TN Commission on Aging	02716		89,000		(89,000)			3
93.045	37478	Aging Services - III-E Match	TN Commission on Aging	02716		(15,000)				(15,000)	1
93.045	37478	Senior Centers	TN Commission on Aging	02716	2,269	232,900		(221,138)		14,031	3
93.045	37478	Senior Centers	TN Commission on Aging	02716		(38,900)				(38,900)	1
93.045	37478	State Nutrition	TN Commission on Aging	02716		134,700		(134,700)			3
93.045	37478	State Nutrition	TN Commission on Aging	02716		(22,700)				(22,700)	1
93.045	37478	State Homemaker	TN Commission on Aging	02716		72,300		(72,300)			3
93.045	37478	State Homemaker	TN Commission on Aging	02716		(12,300)				(12,300)	1
93.045	37478	State Guardianship	TN Commission on Aging	02716		113,400		(113,400)			3
93.045	37478	State Aging - Options	TN Commission on Aging	02716	66,617	1,693,600		(1,549,771)		210,446	3
93.045	37478	State Aging - Options	TN Commission on Aging	02716		(220,100)				(220,100)	1
93.045	37478	VDHCS	TN Commission on Aging	02716		2,340		(2,340)			3
93.045	37478	VDHCS	TN Commission on Aging	02716		(1,123)				(1,123)	1
93.045	37478	Aging Services - Medicaid Waiver	TenCare	02750		916,078		(916,078)			3
93.045	37478	Aging Services - Medicaid Waiver	TenCare	02740	(145,892)	145,892					1
93.045	37478	Aging Services - SHIP	TN Commission on Aging	02705	(13,242)	135,232		(122,628)		(138)	3
93.045	37478	Aging Services - SHIP	TN Commission on Aging	02705	(8,610)	8,613				3	
93.045	37478	Aging Services - SHIP	TN Commission on Aging	02705		(18,974)				(18,974)	1
93.048	CG-11-35550-00	PPACA /MIPPA	TN Commission on Aging	02557	0	65,485		(68,779)		0	3
93.071	39379	PPACA /MIPPA	TN Commission on Aging	02557	26,242	(19,490)				24,948	3
93.071	39379	PPACA /MIPPA	TN Commission on Aging	02817		22,000		(22,000)		(19,490)	1
93.071	39379	LaFollette Medical Foundation									1
84.002	17.207	Career Centers - Adult Ed	TN Department of Labor and Workforce Development	02786	(21,371)	100,607		(127,551)		(48,315)	1
17.207	17.207	Career Centers - DOL	TN Department of Labor and Workforce Development	02787	(14,965)	96,311		(87,880)		(6,534)	1
17.207	17.207	Career Centers - YR	TN Department of Human Services	02788	(1,083)	10,836		(11,872)		(1,639)	1
17.235	17.235	Career Centers - WVA Partners	TN Department of Labor and Workforce Development	02789	7,041	7,041				(8,169)	1
17.235	17.235	Career Centers - Pass Thru	TN Department of Labor and Workforce Development	02790	(6,920)	39,592		(38,880)		(6,238)	1
17.235	17.235	Career Centers - TDVA	TN Department of Labor and Workforce Development	02791	(1,490)	9,516		(10,818)		(2,792)	1
10.558	034754544009	Child Care Centers (CCFP)	TN Department of Human Services	02809	(23,434)	111,487		(114,608)		(26,646)	1
10.558	034760130002	Child Care Food Program	TN Department of Human Services	02810	(39,035)	419,464		(419,440)		(39,010)	1
		Child Protective Services/CPSCA	Child & Family Services/ETCSA	02759	(12,415)	52,052		(45,722)		(3,665)	1

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2015

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY15 PROJECT	Balance July 1, 2014	Cash Receipts	Transfers In	Expenditures	Transfers Out	Payments made to State	Balance June 30, 2015
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:											
93-569	Z-14-49113	Community Corrections	TN Board of Probation and Parole	02397	(100,057)	1,489,333		(1,618,882)		(9,588)	(239,233)
93-569	Z-14-49113	Community Early Intervention	TN Department of Children's Services	02714	(37,028)	157,880		(145,325)		(18,107)	(34,573)
97-024	Z-14-49113	Community Services Block Grant-Advance	Mountain Valley EOA	02241	18,107						
97-024	Z-14-49113	Community Services Block Grant	Mountain Valley EOA	02777-02781	(35,616)	322,088		(325,616)			(29,144)
97-024	Z-15-49201-00	EPS - Anderson	Federal Emergency Management Agency	02831	-	1,991		(1,991)			-
97-024	Z-15-49201-00	EPS - Claiborne	Federal Emergency Management Agency	02534	-	3,060		(3,060)			-
97-024	Z-15-49201-00	EPS - Morgan	Federal Emergency Management Agency	02535	-	6,790		(6,755)		(35)	-
93-667	Z-15-49201-00	Homemaker - Adult Protective Services - Advance	TN Department of Human Services	02275	23,544	451,395		(450,000)		(23,544)	(88,471)
93-667	Z-15-49201-00	Homemaker - Adult Protective Services	TN Department of Human Services	02773	(89,867)						
14-871	A-3858	Housing Assistance Payments Program	US Dept of Housing & Urban Development	02761, 02762	(26,000)	3,622,905		(3,796,985)			
14-871	TN 131F8H617A014	FSS Housing	US Dept of Housing & Urban Development	02763	-	20,812	(3,729)	(44,513)			(17,230)
93-568	LHHEAP-15-07	Low-Income Energy Assistance Program	THDA	02768-02772	(146,627)	2,275,645		(2,523,077)			(94,019)
14-241	GG-12-36126-03	HOPWA	TN Department of Health	02621	(28,607)	264,508		(270,451)			(30,522)
93-917	GR-12-39248-00	Provision of HIV, Contraception Services	TN Department of Health	02706	(51,313)	518,246		(697,155)			(130,040)
93-940	GG-13-34150-00	Provision of HIV, Prevention Services (BAC)	TN Department of Health	02822	(10,574)	158,581		(184,240)			(36,233)
20-500	GG-11-36524-00	Section 5309 Capital (\$561K)	TN Department of Transportation	02666	-	2,735		(2,735)			-
20-500	GG-15-42925-00	Section 5309 Capital (\$606K)	TN Department of Transportation	02888	-	60,706		(60,706)			-
20-516	GG-12-38669-00	Job Access FY11 \$347K	TN Department of Transportation	02800	(38,640)	126,806		(88,166)			-
20-516	GG-14-40156-00	Job Access FY12 \$383K	TN Department of Transportation	02800	-	40,506		(70,586)			(30,080)
20-509	GG-14-R7000-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		(840,820)	1,954,939		(3,007,697)			(1,849,578)
20-509	GG-14-38861-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		-	566,676		(566,676)			-
20-509	GG-15-42771-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		-	549,367		(549,267)			-
20-509	GG-11-34170-00	New Freedom 5317 (capital/mobility mgr)	TN Department of Transportation	02192	(13,900)	26,057		(13,157)			-
20-531	Z-13-NF001-00	New Freedom 5317 (capital/mobility mgr)	TN Department of Transportation	02708	-	18,943		(22,415)			(3,472)
20-509	GG-14-40158-00	BOPP	TN Department of Transportation	02708	-	38,907		(38,907)			-
20-507	TN-90-X372-00	\$307 Urban Operating Assistance UZA-Morrisville	FTA	02765	(353,000)	441,250		(629,500)			(441,250)
20-507	TN-90-X373-00	\$307 Urban Operating Assistance UZA-Morrisown	FTA		(389,092)	894,092		(613,046)			(6,045)
Z-15-UR0P-11-00		FY15 UR0P State Operating Assistance	TN Department of Transportation		-	329,000		(329,000)			-
10-559	30018	Summer Food Service Program	TN Department of Human Services	02808	(106,355)	634,240		(542,760)		(13)	(14,885)
10-568	45905	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture	02811	(6,273)	25,880		(35,971)			(9,363)
17-235	LW764P14SCSEP15	TriE-V-SCSEP	TN Department of Labor and Workforce Development	02764-02765	(35,248)	278,395		(314,942)			(71,795)
17-235	312	SSA1 Senior Employment	Senior Service America Inc	02766-02767	(125,846)	797,331		(814,024)			(142,539)
81-042	WAP-12-05	Weatherization Assistance	TN Department of Human Services	02824-02827	-	271		(7,549)			-
17-278	LW9F141DLSLWK14	Workforce Investment Act	TN Department of Labor and Workforce Development	02792	-	400,000		(400,000)			0
17-259	LW9F121YOUTH13	Workforce Investment Act	TN Department of Labor and Workforce Development	02796-02798	(34,882)	34,882					0
84-002A	LW9F141A1ESD15	Workforce Investment Act	TN Department of Labor and Workforce Development	02836	(34,009)	166,608		(238,074)			(69,475)
17-258	LW9F131YOUTH14	Workforce Investment Act	TN Department of Labor and Workforce Development	02842-02844	(42,559)	119,042	2,205	(76,484)			(0)
17-258	LW9F141ADULT14	Workforce Investment Act	TN Department of Labor and Workforce Development	02854-02855	(120,419)	425,331		(307,117)			(0)
17-278	LW9F141DLSLWK14	Workforce Investment Act	TN Department of Labor and Workforce Development	02856-02857	(101,546)	623,862		(431,508)			(90,009)
84-002A	LW9F121A1ESD13	Workforce Investment Act	TN Department of Labor and Workforce Development	02859	(42,719)	75,664		(31,535)			(1,389)
17-267	LW9F121NCNTV12	Workforce Investment Act	TN Department of Labor and Workforce Development	02861-02862	(2,274)	3,539					-
17-267	LW9F121NCNTV13	Workforce Investment Act	TN Department of Labor and Workforce Development	02865	-	13,147		(13,147)			-
17-278	LW9F131WSP13	Workforce Investment Act	TN Department of Labor and Workforce Development	02871	-	18,498		(18,498)			-
17-259	LW9F141YOUTH15	Workforce Investment Act	TN Department of Labor and Workforce Development	02874-02876	(96,801)	1,092,429		(995,629)			-
17-258	LW9F141ADULT15	Workforce Investment Act	TN Department of Labor and Workforce Development	02880	-	74,644		(74,644)			0

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2015

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY15 PROJECT	Balance July 1, 2014	Cash Receipts	Transfers In	Expenditures	Transfers Out	Prmts made to State	Balance June 30, 2015
17-258	LW04P141ADULT15	Workforce Investment Act	TN Department of Labor and Workforce Development	02890		8,294	90,809	(8,294)			
17-278	LW04P141D8LWK15	Workforce Investment Act	TN Department of Labor and Workforce Development	02891-02892		52,362	5,324	(145,933)			(3,752)
17-278	LW04P141ABSWA14	Workforce Investment Act	TN Department of Labor and Workforce Development	02897-02898		59,385		(64,709)			
17-258	LW04P141ADULT15	Workforce Investment Act	TN Department of Labor and Workforce Development	02902-02903		390,446		(436,483)	(6,265)		(52,373)
17-259	LW04P141YD8LWK15	Workforce Investment Act	TN Department of Labor and Workforce Development	02904-02905		213,091		(243,052)			(29,961)
17-259	LW04P141YD8LWK15	Workforce Investment Act	TN Department of Labor and Workforce Development	02911		428		(2,730)			(2,310)
17-259	LW04P141YD8LWK15	Workforce Investment Act	TN Department of Labor and Workforce Development	02911-02915		-		(286,090)			(286,090)
			Totals		(2,479,159)	28,013,075	98,338	(29,718,793)	(102,646)	(58,823)	(4,248,013)

*Major Federal Assistance Program

- (1) Represents amounts due from grantees and contractors
- (2) Represents advances from grantees
- (3) Represents unclaimed grantee revenue

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 SCHEDULE OF NON-CASH ASSISTANCE (1)
 FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>GRANT #</u> <u>83265-35742</u>	<u>GRANT #</u> <u>83265-45905</u>	<u>TOTALS</u>
<u>CFDA #</u>	10.550	10.550	
<u>PROGRAM NAME</u>	Emergency Food Distribution Program	Emergency Food Distribution Program	
<u>GRANTOR AGENCY</u>	Tennessee Department of Agriculture	Tennessee Department of Agriculture	
<u>Balance 7/1/2014</u>	\$ <u>71,186</u>	\$ <u>-</u>	\$ <u>71,186</u>
<u>Receipts</u>	\$ <u>103,358</u>	\$ <u>177,367</u>	\$ <u>280,725</u>
<u>Change in USDA Rate (2)</u>	\$ <u>236</u>	\$ <u>-</u>	\$ <u>236</u>
<u>Other Additions (3)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Commodities Distributed</u>	\$ <u>47,166</u>	\$ <u>170,520</u>	\$ <u>217,686</u>
<u>Other Deductions (4)</u>	\$ <u>-</u>	\$ <u>2,150</u>	\$ <u>2,150</u>
<u>Balance 6/30/2015</u>	<u>\$ 127,615</u>	<u>\$ 4,697</u>	<u>\$ 132,312</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 6/30/2015.

(3) This amount represents a reconciliation between physical inventory and book inventory.

(4) This amount represents lost and damaged commodities.

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

Federal/Pass-through Agency/Program Title	CFDA Number	
U. S. Department of Agriculture:		
Passed through Tennessee Department of Agriculture:		
Emergency Food Assistance Program (Administration)	10.568	\$ 32,971
Passed through Tennessee Department of Human Services:		
Child and Adult Care Food Program	10.558	534,138
Summer Food Service Program for Children	10.559	<u>542,760</u>
		<u>1,109,869</u>
U.S. Department of Housing and Urban Development:		
Section 8 Rental Voucher Program	14.871	3,831,218
Passed through Tennessee Department of Health:		
Housing Opportunities for Persons with Aids	14.241	<u>270,421</u>
		<u>4,101,639</u>
U.S. Department of Labor:		
Senior Community Service Employment-SSAI	17.235	814,024
Passed through Tennessee Commission on Aging:		
Passed through Tennessee Department of Labor and Workforce Development		
Employment Service	17.207	112,144
Career Centers-Pass Thru	17.235	38,880
Senior Community Service Employment-State	17.235	314,942
Workforce Investment Act Adult Program	17.258	826,608
Workforce Investment Act Youth Activities	17.259	1,362,940
Workforce Investment Incentive Grants	17.267	13,147
Workforce Investment Act Dislocated Worker Formula	17.278	<u>1,303,701</u>
		<u>4,786,386</u>
U.S. Department of Transportation:		
Passed through Tennessee Department of Transportation:		
Federal Transit_Capital Investment Grants	20.500	63,441
Federal Transit_Formula Grants	20.507	1,042,545
Formula Grants for Other Than Urbanized Areas	20.509	4,171,724
Job Access_Reverse Commute	20.516	158,702
New Freedom	20.521	<u>22,415</u>
		<u>5,458,827</u>
U.S. Department of Energy:		
Weatherization Assistance for Low-income Persons	81.042	<u>-7,269</u>
		<u>-7,269</u>
U.S. Department of Education Office of Vocational and Adult Education		
Passed through Tennessee Department of Labor and Workforce Development		
Career Centers - Adult Education	84.002	127,551
Adult Education	84.002A	<u>256,409</u>
		<u>383,960</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	<u>11,806</u>
		<u>11,806</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

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	11,577
Special Programs for the Aging, Title VII, Chapter 2	93.042	63,700
Special Programs for the Aging, Title III, Part D	93.043	76,207
Special Programs for the Aging, Title III, Part B	93.044	938,153
Special Programs for the Aging, Title III, Part C	93.045	2,512,816
Special Programs for the Aging, Title IV and Title III	93.048	0
Alzheimer's Disease Demonstration Grants	93.051	0
National Caregiver Support, Title III, Part E	93.052	429,248
Nutritional Services Incentive Program	93.053	375,429
		<u>4,407,130</u>
Passed through Tennessee Department of Human Services:		
Low Income Heating and Energy Assistance Program	93.568	2,523,037
Community Services Block Grant	93.569	325,616
Social Services Block Grant	93.667	450,000
		<u>3,298,653</u>
Passed through Tennessee Department of Health:		
HIV Care Formula Grants - Consortia Services	93.917	597,155
HIV Prevention Activities	93.940	184,240
		<u>781,395</u>
Centers for Medicare and Medicaid Services:		
Passed through Tennessee Commission on Aging:		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	122,628
PPACA / MIPPA	93.071	68,779
		<u>191,407</u>
Passed through TennCare		
Medical Assistance Program	93.778	916,078
		<u>25,439,881</u>
Total Federal		
State and Local Grants:		
Child Protective Services	N/A	42,722
Community Corrections	N/A	1,618,882
Community Intervention Services	N/A	145,325
Senior Centers	N/A	221,138
State Guardianship	N/A	113,400
State Homemaker	N/A	72,300
State Nutrition	N/A	134,703
State Aging - Options	N/A	1,549,771
VDHCS	N/A	2,340
Transportation BOPP	N/A	16,514
Transportation UROP	N/A	329,000

East Tennessee Human Resource Agency, Inc.
 Schedule of Expenditures of Federal Awards and State Grants (1)
 For the Year Ended June 30, 2015

Federal/Pass-through Agency/Program Title	CFDA Number	
LaFollette Medical Foundation	N/A	22,000
Career Centers - TDVA	N/A	10,818
Total State and Local		4,278,913

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with Generally Accepted Accounting Principles

\$ 29,718,794

**East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Section 1 – Summary of Auditor Results

Financial Statements

Types of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted:	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Types of auditor’s report issued on compliance for major programs	Unmodified
Threshold for major federal program	\$727,587
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	No

Identification of Major Programs:

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

East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Dollar threshold used to distinguish between Type A and Type B programs	\$500,000
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of Directors
East Tennessee Human Resource Agency, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. (ETHRA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

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

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

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

internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Craige Thompson + Jones, P.C.

Morristown, Tennessee
November 10, 2015

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
East Tennessee Human Resource Agency, Inc.

Report on Compliance for Each Major Federal Program

We have audited East Tennessee Human Resource Agency, Inc.'s (ETHRA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ETHRA's major federal programs for the year ended June 30, 2015. ETHRA'S major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ETHRA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ETHRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, ETHRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of ETHRA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ETHRA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ETHRA's internal control over compliance.

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

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

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

Craine Thompson & Jones, P.C.

Morristown, Tennessee
November 10, 2015