



Annual Financial Report

June 30, 2016

East Tennessee Human Resource Agency, Inc.
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East Tennessee Human Resource Agency, Inc.
Gary Holiway, Executive Director
Board of Directors and Policy Council
As of June 30, 2016

Anderson County

- *+ County Mayor Terry Frank - Vice Chair
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 - Treasurer
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 McGaffie, Cumberland Gap
Mayor Linda 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
- ** Ms. Lynn Ramsey

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 - 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

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
- ** Mr. Jerry Johnson

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
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 - Secretary
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, 2016

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, 2016. ETHRA's financial performance is presented and analyzed within the context of the accompanying financial statements with appropriate disclosures, following this section.

Overview of the Basic Financial Statements

The basic financial statements are comprised of four sections:

1. Government-wide financial statements
 - i. Statement of Net Position
 - ii. Statement of Activities
2. Governmental Fund financial statements
 - i. Balance Sheet
 - ii. Statement of Revenues, Expenditures, and Changes in Fund Balances
 - iii. Reconciliation of governmental fund financial statements to government-wide financial statements
3. Proprietary Fund financial statements
 - i. Statement of Net Assets
 - ii. Statement of Revenues, Expenditures, and Changes in 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 some capital assets as completely expended to grants when purchased, while the majority of the assets are tracked in the Internal Service Funds, which allows for the tracking of depreciation. By separating capital from operations, a clearer picture of operations can be reported. The historical costs of all capital assets are included on the Statement of Net Position (net of calculated accumulated depreciation). The current year calculated depreciation is included in the Statement of Activities. Current year capital expenditures 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 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. These activities are reported as business-like activities for fiscal year 2016.

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

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

The nature of operating grants and social 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 2016, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Analysis of Financial Position

Financial Summary

	2016	2015	Increase/ (Decrease)
ASSETS			
Cash and cash equivalents	\$ 3,181,583	\$ 4,851,622	\$ (1,670,039)
Capital assets (net of accumulated depreciation)	3,198,847	2,334,887	863,960
Receivables from grantors, contractors, and others	7,197,141	7,191,371	5,770
Prepaid expenses and deposits	186,098	325,698	(139,600)
TOTAL ASSETS	13,763,669	14,703,578	(939,909)
TOTAL LIABILITIES			
Investment in capital assets	3,198,847	2,334,887	863,960
Restricted net position	1,266,140	1,201,291	64,849
Unrestricted net position	5,363,178	7,135,881	(1,772,703)
TOTAL NET POSITION	\$ 9,828,165	\$ 10,672,059	\$ (843,894)
REVENUES			
Operating grants and contributions	\$ 25,090,880	\$ 26,802,710	\$ (1,711,830)
Charges for services	8,504,993	10,427,995	(1,923,002)
Assessment to local governments	236,240	280,340	(44,100)
TOTAL REVENUES	\$ 33,832,113	\$ 37,511,045	\$ (3,678,932)
EXPENSES			
General government	\$ 2,118,917	\$ 3,324,663	\$ (1,205,746)
Aging	7,069,999	6,503,611	566,388
ETHRA Aging	1,140,402	1,223,120	(82,718)
Transportation	7,591,394	8,432,131	(840,737)
Workforce development	3,207,708	3,838,164	(630,456)
Housing and restoration	1,971,446	2,532,691	(561,245)
Title V	1,223,980	1,254,494	(30,514)
AIDS support	980,023	1,028,780	(48,757)
Corrections and probation	1,723,096	1,687,068	36,028
Child and Family Assistance	1,571,324	1,043,118	528,206
Homemaker	472,296	519,633	(47,337)
Mountain Valley	316,246	348,293	(32,047)
Loan	(27,066)	(8,016)	(19,050)
Misdemeanor	1,529,007	1,325,173	203,834
Transportation Enterprise	118,479	106,314	12,165
HUD Housing Choice Voucher	3,668,738	3,741,091	(72,353)
TOTAL EXPENSES	\$ 34,675,989	\$ 36,900,328	\$ (2,224,339)
CHANGE IN NET POSITION	\$ (843,876)	\$ 610,717	\$ (1,454,593)

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 2016, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Program Highlights

Although ETHRA had a loss in net position of \$843,876, the total net position is still at a healthy level of \$9,828,165. Overall, during FY 16, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget. There are a few exceptions described below.

FY 16 was a difficult year for the ETHRA transportation program. The transportation program lost \$933,791 in FY 16. The loss was directly related to a decision by FTA to stop reimbursements for ETHRA's urban program. FTA made this decision even though ETHRA met all of FTA's requirements. This decision cost ETHRA just under \$1,000,000 in reimbursements for funds that ETHRA had already expended. This also negatively impacted ETHRA's cash position and receivables. There are on-going discussions with the State and FTA to recover a portion of these revenues in FY 17. As the discussions continue, there is a strong possibility that ETHRA will receive 30 to 50 percent of the denied funds.

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

The aging program also showed a significant decrease of approximately \$400,000. This was a planned drawdown of funds as required by the State.

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. The State has already made the decision to move the Aids support programs to another agency. One program will leave in December of 2016 and the other Program will leave in March of 2017. The overall impact on ETHRA will be minimal. On the positive side, ETHRA expects the transportation programs to show significant improvement in FY 17.

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.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. (ETHRA), Knoxville, Tennessee as of and for the year ended June 30, 2016, 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, 2016, 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other financial information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, 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.

Craie Thompson + Jones, P. C.

Morristown, Tennessee
December 12, 2016

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,294,300	\$ 870,202	\$ 3,164,502
Investments	17,081	-	17,081
Receivables, net of allowance for uncollectible accounts	6,335,959	24,728	6,360,687
Internal receivable, net			-
Loans receivable	836,454	-	836,454
Deposits	5,744	-	5,744
Prepaid expenditures	180,354	-	180,354
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	799,695	-	799,695
Furniture and equipment	130,569	-	130,569
Leasehold improvements	7,087	-	7,087
Vehicles	2,101,954	126,928	2,228,882
Total capital assets	<u>3,071,919</u>	<u>126,928</u>	<u>3,198,847</u>
 Total assets	 <u>12,741,811</u>	 <u>1,021,858</u>	 <u>13,763,669</u>
<u>LIABILITIES</u>			
Accounts payable	1,509,408	17,420	1,526,828
Accrued expenses	2,408,688	-	2,408,688
Deferred revenue	(12)	-	(12)
Advances	-	-	-
Due in more than one year			
 Total liabilities	 <u>3,918,084</u>	 <u>17,420</u>	 <u>3,935,504</u>
<u>NET POSITION</u>			
Investment in capital assets	3,071,919	126,928	3,198,847
Restricted for:			
THDA - House Loan	1,080,332	-	1,080,332
MVEOA	169,275	-	169,275
East Tennessee Foundation Investment	16,533	-	16,533
Unrestricted	4,485,668	877,510	5,363,178
Total net position	<u>\$ 8,823,727</u>	<u>\$ 1,004,438</u>	<u>\$ 9,828,165</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Activities
For the Year Ended June 30, 2016

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	Primary Government		Total
						Governmental Activities	Business-type Activities	
Primary government								
Governmental activities								
General government	\$ 2,118,917	\$ (2,357,707)	\$ -	\$ -	\$ -	\$ 238,790	\$ -	\$ 238,790
Aging	7,069,999	304,968	45,142	7,791,237	-	461,412	-	461,412
ETHRA Aging	1,140,402	103,045	65,888	131,079	-	(1,046,480)	-	(1,046,480)
Transportation	7,591,394	1,044,947	2,783,471	5,255,897	-	(596,973)	-	(596,973)
Workforce development	3,207,708	307,499	63,365	3,446,660	-	(5,182)	-	(5,182)
Housing and restoration	1,971,446	42,858	-	1,976,999	-	(37,305)	-	(37,305)
Title V	1,223,980	21,841	-	1,241,909	-	(3,912)	-	(3,912)
AIDS support	980,023	23,789	-	1,009,465	-	5,653	-	5,653
Corrections and probation	1,723,096	121,972	76,788	1,775,181	-	6,901	-	6,901
Child and Family Assistance	1,571,324	17,110	-	1,629,736	-	41,302	-	41,302
Homemaker	472,296	66,485	-	438,146	-	(100,635)	-	(100,635)
Mountain Valley	316,246	39,993	-	371,080	-	14,841	-	14,841
Loan	(27,066)	-	-	23,491	-	50,557	-	50,557
Total governmental activities	<u>29,359,765</u>	<u>(263,200)</u>	<u>3,034,654</u>	<u>25,090,880</u>	<u>-</u>	<u>(971,031)</u>	<u>-</u>	<u>(971,031)</u>
Business-type activities								
Misdemeanor	1,529,007	203,876	1,535,462	-	-	-	(197,421)	(197,421)
Transportation Enterprise	118,479	12,531	199,536	-	-	-	68,526	68,526
HUD Housing Choice Voucher	3,668,738	46,810	3,735,341	-	-	-	19,793	19,793
Total business-type activities	<u>5,316,224</u>	<u>263,217</u>	<u>5,470,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,102)</u>	<u>(109,102)</u>
Total primary government	<u>\$ 34,675,989</u>	<u>\$ 17</u>	<u>\$ 8,504,993</u>	<u>\$ 25,090,880</u>	<u>\$ -</u>	<u>(971,031)</u>	<u>(109,102)</u>	<u>(1,080,133)</u>
General revenues:								
Assessments to local governments						236,240	-	236,240
Transfers						98	(98)	-
Total general revenues						<u>236,338</u>	<u>(98)</u>	<u>236,240</u>
Change in net position						(734,693)	(109,200)	(843,893)
Net position - beginning						9,558,420	1,113,638	10,672,058
Net position - ending						<u>\$ 8,823,727</u>	<u>\$ 1,004,438</u>	<u>\$ 9,828,165</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Balance Sheet
Governmental Funds
June 30, 2016

	General	Human Resource Services	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,235,806	\$ (1,368,441)	\$ (132,635)
Investments	17,081	-	17,081
Grant and contract receivables, net of allowance for uncollectibles	-	6,335,727	6,335,727
Loans receivable	-	836,454	836,454
Deposits	5,744	-	5,744
Prepaid expenditures	3,836	-	3,836
Construction in progress	-	-	-
Total assets	\$ 1,262,467	\$ 5,803,740	\$ 7,066,207
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Checks written in excess of cash balance	\$ -	\$ -	\$ -
Accounts payable	97,494	1,349,711	1,447,205
Accrued expenses	73,815	16,160	89,975
Deferred revenue	-	(12)	(12)
Advances	-	-	-
Total liabilities	171,309	1,365,859	1,537,168
 Fund balances:			
Nonspendable	9,580	(12)	9,568
Restricted	17,081	4,437,893	4,454,974
Assigned	-	-	-
Unassigned	1,064,497	-	1,064,497
Total fund balances	1,091,158	4,437,881	5,529,039
Total liabilities and fund balances	\$ 1,262,467	\$ 5,803,740	

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 \$8,172,133.	3,071,919
Capital assets purchases capitalized	(682,375)
Increase in net position of internal service funds	905,144
 Net position of governmental activities	 \$ 8,823,727

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, 2016

	General	Human Resource Services	Total Governmental Funds
<u>REVENUES</u>			
Grantor contributions	\$ -	\$ 24,386,233	\$ 24,386,233
Program income	-	2,887,700	2,887,700
USDA	-	348,100	348,100
Assessments to local governments	221,240	37,050	258,290
In-kind contributions	-	311,007	311,007
Interest income	-	23,449	23,449
Other income	1,365	146,994	148,359
Total revenues	<u>222,605</u>	<u>28,140,533</u>	<u>28,363,138</u>
<u>EXPENDITURES</u>			
Current:			
General	15,290	-	15,290
Aging	-	7,375,109	7,375,109
ETHRA Aging	-	1,243,447	1,243,447
Workforce Development	-	3,515,207	3,515,207
Title V	-	1,245,821	1,245,821
LIHEAP WAP	-	2,014,304	2,014,304
Transportation Call Center	-	8,636,341	8,636,341
Community Corrections	-	1,845,068	1,845,068
Child Care Food	-	1,588,434	1,588,434
Homemaker	-	538,781	538,781
Mountain Valley	-	356,239	356,239
AIDS Support	-	1,003,812	1,003,812
SSI	-	-	-
Loan Program	-	(27,066)	(27,066)
Total expenditures	<u>15,290</u>	<u>29,335,497</u>	<u>29,350,787</u>
Excess of revenues over expenditures	<u>207,315</u>	<u>(1,194,964)</u>	<u>(987,649)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in - match	-	252,800	252,800
Transfers out - match	(678,552)	-	(678,552)
Total other financing sources (uses)	<u>(678,552)</u>	<u>252,800</u>	<u>(425,752)</u>
Net change in fund balance	<u>(471,237)</u>	<u>(942,164)</u>	<u>(1,413,401)</u>
Fund balances - beginning	<u>1,562,395</u>	<u>5,380,045</u>	<u>6,942,440</u>
Fund balances - ending	<u>\$ 1,091,158</u>	<u>\$ 4,437,881</u>	<u>\$ 5,529,039</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, 2016

Net change in fund balances - total governmental funds \$ (1,413,401)

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	563,303
Capital assets purchases capitalized	(720,819)
Proceeds from sale of capital assets	(69,018)
Transfers (to)/from proprietary funds	98
Increase/(Decrease) in net position of internal service funds	905,144
	678,708

Change in net position of governmental activities \$ (734,693)

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2016

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>Transportation Enterprise</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 108,076	\$ 267,624	\$ 494,502	\$ 870,202	\$ 2,426,935
Accounts receivable	-	-	24,728	24,728	-
Grants receivable	-	-	-	-	-
Payroll receivables	-	-	-	-	232
Prepaid expenditures	-	-	-	-	176,518
Total current assets	<u>108,076</u>	<u>267,624</u>	<u>519,230</u>	<u>894,930</u>	<u>2,603,685</u>
Noncurrent Assets:					
Capital assets					
Furniture and equipment, net	-	-	-	-	5,588
Vehicles, net	-	-	126,928	126,928	2,088,121
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>126,928</u>	<u>126,928</u>	<u>2,093,709</u>
Total assets	<u>\$ 108,076</u>	<u>\$ 267,624</u>	<u>\$ 646,158</u>	<u>\$ 1,021,858</u>	<u>\$ 4,697,394</u>
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable	\$ 9,803	\$ 7,582	\$ 35	\$ 17,420	\$ 62,203
Accrued expenses	-	-	-	0	2,318,713
Total current liabilities	<u>9,803</u>	<u>7,582</u>	<u>35</u>	<u>17,420</u>	<u>2,380,916</u>
Noncurrent Liabilities:					
Capital lease payable	-	-	-	0	-
Total liabilities	<u>9,803</u>	<u>7,582</u>	<u>35</u>	<u>17,420</u>	<u>2,380,916</u>
<u>NET POSITION</u>					
Investment in capital assets	-	-	126,928	126,928	2,093,709
Unrestricted net position	<u>98,273</u>	<u>260,042</u>	<u>519,195</u>	<u>877,510</u>	<u>222,769</u>
Total net position	<u>\$ 98,273</u>	<u>\$ 260,042</u>	<u>\$ 646,123</u>	<u>\$ 1,004,438</u>	<u>\$ 2,316,478</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	<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	\$ -	\$ 3,724,319	\$ -	\$ 3,724,319	\$ 844,863
Program income	1,535,130	3,932	199,536	1,738,598	0
Other revenue	332	7,090	-	7,422	188,253
Total operating revenues	<u>1,535,462</u>	<u>3,735,341</u>	<u>199,536</u>	<u>5,470,339</u>	<u>1,033,116</u>
<u>OPERATING EXPENSES</u>					
Salaries	848,317	197,834	52,008	1,098,159	-
Fringe benefits	229,262	53,299	14,409	296,970	70,605
Grant and program costs	-	3,335,227	-	3,335,227	-
Occupancy	122,217	20,376	-	142,593	-
Consultants and contracted services	29,742	4,894	118	34,754	4,000
Gasoline	-	-	9,281	9,281	16,333
Telephone	52,437	9,734	347	62,518	-
Training and conferences	76,498	1,098	-	77,596	-
Travel	78,491	7,738	-	86,229	-
Supplies	28,253	1,638	102	29,993	-
Insurance and bonding	28,368	6,646	4,609	39,623	14,056
Maintenance and repairs	23,234	10,697	88	34,019	21,704
Rentals	-	6,793	599	7,392	-
Depreciation	417	3,655	26,901	30,973	563,303
Postage and freight	7,439	6,038	1	13,478	-
Printing	7,959	2,291	-	10,250	-
Other expenses	(3,627)	780	10,016	7,169	1,274
Indirect cost allocation	203,876	46,810	12,531	263,218	-
Total operating expenses	<u>1,732,883</u>	<u>3,715,548</u>	<u>131,010</u>	<u>5,579,442</u>	<u>691,275</u>
Operating income	(197,421)	19,793	68,526	(109,102)	341,841
Transfers in (out)	(98)	-	-	(98)	425,850
Total net income	<u>(197,519)</u>	<u>19,793</u>	<u>68,526</u>	<u>(109,200)</u>	<u>767,691</u>
Total net position - beginning	<u>295,792</u>	<u>240,249</u>	<u>577,597</u>	<u>1,113,638</u>	<u>1,548,787</u>
Total net position - ending	<u>\$ 98,273</u>	<u>\$ 260,042</u>	<u>\$ 646,123</u>	<u>\$ 1,004,438</u>	<u>\$ 2,316,478</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, 2016

	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Supervision fee receipts	\$ 1,475,533	\$ -	\$ -	\$ 1,475,533	\$ -
Fee receipts	59,597	3,932	211,639	275,168	-
Grants		3,741,549		3,741,549	844,863
Receipts of contributions				-	
Other revenue	85	7,090	-	7,175	188,253
Receipts of interest	247	-	-	247	-
Payments to employees	(857,934)	(200,638)	(52,467)	(1,111,039)	(397)
Payments for fringe benefits	(234,098)	(53,299)	(14,409)	(301,806)	(70,605)
Payments to vendors	(450,112)	(3,409,503)	(25,200)	(3,884,815)	(663,804)
Payments for indirect costs	(203,876)	(46,810)	(12,531)	(263,217)	563,303
Payments for close-out					
Net Cash Provided by Operating Activities	<u>(210,558)</u>	<u>42,321</u>	<u>107,032</u>	<u>(61,205)</u>	<u>861,613</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	(98)	-	-	(98)	425,850
Net Cash Provided by Noncapital Financing Activities	<u>(98)</u>	<u>-</u>	<u>-</u>	<u>(98)</u>	<u>425,850</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(72,947)	(72,947)	(1,474,273)
Proceeds from sale of capital assets	-	-	-	-	-
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(72,947)</u>	<u>(72,947)</u>	<u>(1,474,273)</u>
Net Increase in Cash and Cash Equivalents	(210,656)	42,321	34,085	(134,250)	(186,810)
Balance - beginning of the year	318,732	225,303	460,417	440,360	2,613,745
Balances - end of the year	<u>\$ 108,076</u>	<u>\$ 267,624</u>	<u>\$ 494,502</u>	<u>\$ 870,202</u>	<u>\$ 2,426,935</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ (197,421)	\$ 19,793	\$ 68,526	\$ (109,102)	\$ 341,841
Adjustments:					
Depreciation expense	417	3,655	26,901	30,973	563,303
Transfers to other funds	-	-	-	-	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	-	-	-	-	-
(Increase) decrease in grants receivable	-	17,230	12,103	29,333	-
(Increase) decrease in payroll receivables	-	-	-	-	(397)
(Increase) decrease in prepaid expenditure	-	-	-	-	141,161
Increase (decrease) in accounts payable	899	4,634	14	5,547	31,006
Increase (decrease) in accrued expenses	(14,453)	(2,991)	(512)	(17,956)	(215,301)
Net Cash Provided by Operating Activities	<u>\$ (210,558)</u>	<u>\$ 42,321</u>	<u>\$ 107,032</u>	<u>\$ (61,205)</u>	<u>\$ 861,613</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Fiduciary Funds
June 30, 2016

	<u>Public Guardian</u>	<u>HUD Escrow</u>	<u>Agency Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 343,214	\$ 38,000	\$ 17,177
Due from other funds	-	-	-
Other receivables	-	1,763	-
Investments, at fair value:			
Investment accounts	464,776	-	-
Land and buildings	1,521,800	-	-
Total assets	2,329,790	39,763	17,177
 <u>LIABILITIES</u>			
Accounts payable	-	14,104	-
Assets held for others	-	-	17,177
Total liabilities	-	14,104	\$ 17,177
 <u>NET POSITION</u>			
Held in trust	\$ 2,329,790	\$ 25,659	

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, 2016

	<u>Public Guardian</u>	<u>HUD Escrow</u>
<u>ADDITIONS</u>		
Contributions	\$ 1,289,315	\$ 25,157
Trust account income	297,726	-
Other revenue	-	-
Interest	151	2
Total additions	<u>1,587,192</u>	<u>25,159</u>
<u>DEDUCTIONS</u>		
Distributions from escrow	-	7,991
Forfeitures/Moveout	-	11,443
Nursing home/residential care	407,365	-
Legal	324,640	-
Living expenses	144,904	-
Burial expenses	15,641	-
Medical and dental	39,970	-
Fees transfer	11,430	-
Taxes	5,901	-
Insurance	20,158	-
Furnishings	-	-
Other expenses	40,462	-
Distributions to beneficiaries	280,059	-
Total deductions	<u>1,290,530</u>	<u>19,434</u>
Change in net position	296,662	5,725
Net position - beginning of year	2,033,128	19,934
Net position - end of year	<u>\$ 2,329,790</u>	<u>\$ 25,659</u>

See accompanying notes to the financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 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, 2016. The allowance for uncollectible accounts for other receivables was \$0 at June 30, 2016.

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, 2016, were \$371,638 and ETHRA's matching contribution was \$273,767.

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 \$942,694 in fiscal year 2016. The contingent lease payments for fiscal year 2017 amount to \$936,684.

NOTE 7: CAPITAL ASSETS

Governmental and business-type activities' capital asset changes for the year ended June 30, 2016 were as follows:

	<u>Balance</u> <u>07/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/16</u>
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Buildings Total	1,230,730	-	-	1,230,730
Furniture & Equipment Total	2,319,409	35,979	-	2,355,388
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	5,907,666	1,485,813	(11,541)	7,381,938
Total other capital asset at cost	9,701,187	1,521,792	(11,541)	11,211,438
Less accumulated depreciaton for:				
Buildings Total	(394,037)	(36,997)	-	(431,034)
Furniture & Equipment Total	(2,125,756)	(99,063)	-	(2,224,819)
Leasehold improvements Total	(226,845)	(9,450)	-	(236,295)
Vehicles Total	(4,737,230)	(542,755)	-	(5,279,985)
Total accumulated depreciation	(7,483,868)	(688,265)	-	(8,172,133)
Governmental capital assets net	2,249,933	833,527	(11,541)	3,071,919
Business-type capital assets:				
Vehicles	228,956	133,608	(60,664)	301,900
Accumulated depreciation	(143,999)	(30,973)		(174,972)
Business-type capital assets, net	84,957	102,635	(60,664)	126,928
Total capital assets	\$ 2,334,890	\$ 936,162	\$ (72,205)	\$ 3,198,847

Depreciation expenses for the year ended June 30, 2016 was charged to programs/functions as follows:

	<u>Depreciation</u>
Administration	\$ 46,606
Aging	-
Child development	-
Corrections and probation	14,009
Housing and restoration	-
Transportation	608,290
Workforce development	7,367
Total depreciation and capital expenses governmental activities	676,272
HUD Housing Choice Voucher	3,655
Oak Ridge Transit	26,901
Misdemeanor	417
Total depreciation and business-type activities	30,973
	<u>\$ 707,245</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 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 FY16.

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

There are no assigned fund balance amounts for FY16.

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

	<u>General</u>	<u>Human Resource Services</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>			
Advances and deposits	\$ 9,580	\$ (12)	\$ 9,568
<u>Restricted for:</u>			
Mountain Valley		169,275	169,275
Loan		1,080,332	1,080,332
Human Resource Services		3,188,286	3,188,286
East Tennessee Foundation			
Investment	17,081		17,081
<u>Unassigned</u>	<u>1,064,497</u>		<u>1,064,497</u>
<u>Total fund balances</u>	<u>\$ 1,091,158</u>	<u>\$ 4,437,881</u>	<u>\$ 5,529,039</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is ETHRA's policy to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is 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 \$1,236,127 at June 30, 2016. 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 \$548 and

\$1,240 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.

NOTE 12: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfer From	Transfer To				
	Internal Service Fund	ETHRA Aging	Title V	LIHEAP	Homemaker
General Fund	\$ -	\$ 395,074	\$ 4,199	\$ 150,000	\$ 104,279
Aging	-	869,010	-	-	-
Misdemeanor	98	-	-	-	-
Transportation/Call Center	378,326	-	-	-	-
Community Corrections	47,425	-	-	-	-
Total	\$ 425,849	\$ 1,264,084	\$ 4,199	\$ 150,000	\$ 104,279

Transfers are used to move unrestricted revenues collected in the general fund and human resources services fund to various programs for operating needs.

In the year ended June 30, 2016, transfers were made for the operations of various programs.

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures by Program
Governmental Funds
For the Year Ended June 30, 2016

	General	Aging	ETHRA Aging	Workforce Development	Title V	LIHEAP WAP	Transportation Call Center	Community Corrections	Child Care Food	Homemaker	Mountain Valley	AIDS Support	Loan	Total
EXPENDITURES														
Current:														
Salaries	\$ 1,182,485	\$ 1,280,159	\$ 432,579	\$ 1,379,319	\$ 89,518	\$ 176,825	\$ 4,329,508	\$ 1,054,319	\$ 69,656	\$ 275,026	\$ 163,138	\$ 103,583	\$ -	\$ 10,536,115
Fringe Benefits	325,529	342,307	99,072	369,874	24,316	47,155	1,195,115	292,107	17,700	74,523	42,969	27,139	-	2,857,806
Professional Fees	384,200	87,791	46,621	4,744	1,621	3,970	76,534	2,561	1,354	746	3,633	1,333	638	615,746
Supplies	84,129	13,251	26,568	65,170	775	1,062	152,492	11,362	3,892	8,272	2,899	3,122	-	372,994
Telephone	47,849	39,065	17,846	55,868	3,290	4,138	137,656	51,964	3,367	11,891	7,748	3,128	-	383,810
Postage and Freight	4,266	8,629	2,999	5,410	1,681	6,784	1,367	1,579	1,919	63	647	(786)	29	34,587
Equipment Rental & Maintenance	87,974	12,417	9,860	42,303	1,166	5,237	45,632	18,786	2,519	5,206	3,596	1,087	-	235,783
Printing & Publications	4,677	2,756	1,446	16,722	353	1,624	11,141	1,876	629	675	663	207	-	42,769
Travel, Training, Conferences	79,935	123,360	71,623	129,744	9,133	4,061	37,644	99,082	12,965	70,703	23,365	21,703	-	683,318
Insurance	6,428	21,909	11,113	31,113	1,504	3,508	245,555	51,341	2,925	5,009	4,879	1,739	-	387,023
Occupancy	140,324	88,350	38,434	461,440	5,145	10,189	136,902	125,819	5,985	18,755	17,533	9,168	-	1,058,044
Fuel & Maintenance	-	-	-	-	-	-	1,155,420	-	-	-	-	-	-	1,155,420
Grants & Allocations	-	3,007,290	14,468	75,652	-	-	-	-	1,440,919	-	-	415,434	-	4,953,763
Participant	-	1,997,625	237,198	487,125	943,967	1,706,220	-	7,747	-	-	42,429	385,502	132	5,807,945
Other	25,202	14,283	17,155	58,941	276	673	66,428	4,553	7,494	1,427	1,485	7,664	(27,865)	177,716
Indirect cost allocation	(2,357,707)	304,968	103,045	307,499	21,841	42,858	1,044,947	121,972	17,110	66,485	39,993	23,789	-	(263,200)
In-Kind	-	30,807	113,420	24,283	141,235	-	-	-	-	-	1,262	-	-	311,007
Total expenditures	15,291	7,374,967	1,243,447	3,515,207	1,245,821	2,014,304	8,636,341	1,845,068	1,588,434	538,781	356,239	1,003,812	(27,066)	29,350,646
OTHER FINANCING SOURCES (USES)														
Transfers - match	678,552	885,520	(1,264,083)	-	(4,199)	(150,000)	336,816	47,425	-	(104,279)	-	-	-	425,752
Total other financing sources (uses)	678,552	885,520	(1,264,083)	-	(4,199)	(150,000)	336,816	47,425	-	(104,279)	-	-	-	425,752
Total expenditures	\$ 693,843	\$ 8,260,487	\$ (20,636)	\$ 3,515,207	\$ 1,241,622	\$ 1,864,304	\$ 8,973,157	\$ 1,892,493	\$ 1,588,434	\$ 434,502	\$ 356,239	\$ 1,003,812	\$ (27,066)	\$ 29,776,398

See accompanying notes to the financial statements.

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East Tennessee Human Resource Agency, Inc.
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS</u>				
Contributions from employees	\$ 16,988	\$ 1,393	\$ 1,204	\$ 17,177
Total assets	<u>\$ 16,988</u>	<u>\$ 1,393</u>	<u>\$ 1,204</u>	<u>\$ 17,177</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 88	\$ -	\$ 88	\$ -
Employee volunteer/Assets held for others	<u>16,900</u>	<u>1,393</u>	<u>1,116</u>	<u>17,177</u>
Total liabilities	<u>\$ 16,988</u>	<u>\$ 1,393</u>	<u>\$ 1,204</u>	<u>\$ 17,177</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2016

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY16	Balance	Cash	Transfers	Expenditures	Transfers	Prints made	Balance	
				PROJECT	July 1, 2015	Receipts	In		Out	to State	June 30, 2016	
* 93.044	37478	Aging Services -- III-B	TN Commission on Aging	02716	289,921	978,300		(1,101,732)			166,489	3
* 93.044	37478	Aging Services -- III-B	TN Commission on Aging	02716	(137,500)	(320,800)					(458,300)	1
* 93.045	37478	Aging Planning -- III-C adm	TN Commission on Aging	02716	99,494	268,700		(316,027)			52,167	3
* 93.045	37478	Aging Planning -- III-C adm	TN Commission on Aging	02716	(44,500)	(29,500)					(74,000)	1
* 93.045	37478	Aging Planning -- III-C 1 Con	TN Commission on Aging	02716	53,379	612,900		(662,417)			3,862	3
* 93.045	37478	Aging Planning -- III-C 1 Con	TN Commission on Aging	02716	(85,100)	(42,300)					(127,400)	1
* 93.707	GG-09-28541-00	Aging Planning -- III-C 1 Con ARRA	TN Commission on Aging	02317	(453)				453		-	1
* 93.045	37478	Aging Services -- III-C 2HD Nutrition Services	TN Commission on Aging	02716	5,727	1,363,500		(1,329,973)			39,254	3
* 93.045	37478	Aging Services -- III-C 2HD Nutrition Services	TN Commission on Aging	02716	(327,000)	94,800					(232,200)	1
* 93.705	GG-09-28541-00	Aging Services -- III-C 2HD ARRA 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	29,947	73,300		(79,596)			23,651	3
* 93.043	37478	Aging Services -- III-D In-home Services PH	TN Commission on Aging	02716	(10,600)	(15,900)					(26,500)	1
* 93.052	37478	Aging Services -- III-E adm	TN Commission on Aging	02716	-	54,600		(54,600)			-	3
* 93.052	37478	Aging Services -- III-E Caregiver	TN Commission on Aging	02716	68,752	485,700		(505,946)	118		48,624	3
* 93.052	37478	Aging Services -- III-E Caregiver	TN Commission on Aging	02716	(73,400)	(41,200)					(114,600)	1
* 93.041	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	02716	15,392	13,300		(10,248)			18,444	3
* 93.041	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	02716	(2,460)	(9,540)					(12,000)	1
* 93.042	37478	Aging Services - III-A Title VII	TN Commission on Aging	02716	-	57,900		(57,900)			-	3
* 93.053	37478	Aging Services -- USDA/NSIP	TN Commission on Aging	02716	-	348,100		(348,100)			-	3
* 93.053	37478	Aging Services -- USDA/NSIP	TN Commission on Aging	02716	(62,610)	4,510					(58,100)	1
*	37478	Aging Services -- III-E Match	TN Commission on Aging	02716	-	85,000	(118)	(84,882)			-	3
*	37478	Aging Services -- III-E Match	TN Commission on Aging	02716	(15,000)	15,000					-	1
*	37478	Senior Centers	TN Commission on Aging	02716	14,031	232,900		(246,931)			(0)	3
*	37478	Senior Centers	TN Commission on Aging	02716	(38,900)	(18,600)					(57,500)	1
*	37478	State Nutrition	TN Commission on Aging	02716	0	119,700		(119,700)			0	3
*	37478	State Nutrition	TN Commission on Aging	02716	(22,700)	3,100					(19,600)	1
*	37478	State Homemaker	TN Commission on Aging	02716	-	63,800		(63,800)			-	3
*	37478	State Homemaker	TN Commission on Aging	02716	(12,300)	4,900					(7,400)	1
*	37478	State Guardianship	TN Commission on Aging	02716	-	111,500		(111,500)			-	3
*	37478	State Guardianship	TN Commission on Aging	02716	-	(26,423)					(26,423)	1
*	37478	State Aging - Options	TN Commission on Aging	02716	210,446	1,714,200		(1,924,646)			0	3
*	37478	State Aging - Options	TN Commission on Aging	02716	(220,100)	(209,263)					(429,363)	1
*	37478	State Caregiver	TN Commission on Aging	02716	-	(14,900)					(14,900)	1
*		VDHCS	TN Commission on Aging	02716	-	1,170		(1,170)			-	3
*		VDHCS	TN Commission on Aging	02716	(195)	195					-	1
* 93.778	37478	Aging Services -- Medicaid Waiver	TennCare	02740	(81,516)	965,883	(69,843)	(921,426)			(106,902)	1
* 93.779	36706	Aging Services -- SHIP	TN Commission on Aging	02705	(138)	-	(15,807)				(15,945)	3
* 93.779	36706	Aging Services -- SHIP	TN Commission on Aging	02705	3	-					3	1
* 93.779	36706	Aging Services -- SHIP	TN Commission on Aging	02705	(18,974)	112,709		(120,075)			(26,340)	1
* 93.048	GG-11-35350-00	ADRC	TN Commission on Aging	02716	0						0	3
* 93.071	39379	PPACA / MIPPA	TN Commission on Aging	02557	24,948		(14,738)	(10,210)			-	3
* 93.071	39379	PPACA / MIPPA	TN Commission on Aging	02557	(19,490)	79,649		(55,054)			5,105	1
84.002		Career Centers - Adult Ed	TN Department of Labor and Workforce Development	02786	(48,315)	75,213		(121,994)			(95,096)	1
17.207		Career Centers - DOL	TN Department of Labor and Workforce Development	02787	(6,534)	45,875		(94,218)			(54,877)	1
17.207		Career Centers - VR	TN Department of Human Services	02788	(1,639)	13,462	(6,790)	(8,154)			(3,121)	1
17.207		Career Centers - WIA Partners	TN Department of Labor and Workforce Development	02789	(8,169)	-		(12,504)			(20,673)	1
17.235		Career Centers - Pass Thru	TN Department of Labor and Workforce Development	02790	(6,238)	30,918		(37,497)	6,790		(6,027)	1
		Career Centers - TDVA	TN Department of Labor and Workforce Development	02791	(2,792)	9,173		(6,643)			(262)	1
10.559	30018	Summer Food Service Program	TN Department of Human Services	02808	(14,885)	205,864		(639,307)			(448,331)	1
10.558	034764344009	Child Care Centers (CCFP)	TN Department of Human Services	02809	(26,646)	115,326		(110,361)			(21,681)	1
10.558	034760133002	Child Care Food Program	TN Department of Human Services	02810	(39,010)	401,070		(400,456)			(38,396)	1
10.558	3473039002	At-Risk	TN Department of Human Services	02941	-	479,613		(479,613)			-	1
		Child Protective Services Contracts	Child & Family Services/ETCSA	02789	(3,665)	18,210		(20,979)			(6,434)	1
*		Community Corrections	TN Board of Probation and Parole	02397	(239,333)	1,797,724		(1,628,469)			(69,978)	1

Eilat Tennessee Human Resource Agency, Inc.
Schedule of Grant Activity

For Year Ended June 30, 2016

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY16 PROJECT	Balance July 1, 2015	Cash Receipts	Transfers In	Expenditures	Transfers Out	Permits made to State	Balance June 30, 2016
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE.											
93.569	Z-14-49113	Community Early Intervention	TN Department of Children's Services	02714	(24,472)	149,777		(146,712)			(21,405)
	Z-14-49113	Community Services Block Grant	Mountain Valley FOA	02777-02781	(93,144)	298,006		(305,695)			(37,829)
97.024	28-7640-00	EF3 - Challenge	Federal Emergency Management Agency	02534	-	1,540		(1,506)	(34)		(0)
97.024	28-77544-00	EF3 - Merign	Federal Emergency Management Agency	02535	-	-		188	(108)		-
93.667	Z-15-49301-00	HomeMaker - Adult Protective Services	TN Department of Human Services	02773	(88,471)	411,833		(417,117)			(93,756)
14.871	A.3858	Housing Assistance Payments Program	US Dept of Housing & Urban Development	02761, 02762	-	3,689,713		(3,689,713)			-
14.871	TN-1131FSH617A014	FSS Housing	US Dept of Housing & Urban Development	02763	(17,230)	37,266	14,570	(34,665)			-
93.568	LJREAP-15-07	Low-Income Energy Assistance Program	THDA	02768-02772	(94,019)	1,924,695		(1,976,999)			(146,323)
14.241	GG-12-56126-03	HOPWA	TN Department of Health	02621	(30,522)	256,619		(274,834)			(48,735)
93.917	GR-12-36248-00	Provision of HIV Consortia Services	TN Department of Health	02706	(130,040)	577,393		(576,604)			(131,251)
93.940	GG-13-34150-00	Provision of HIV Prevention Services (RAC)	TN Department of Health	02832	(36,233)	160,388		(156,277)			(32,122)
20.500	GG-16-49236-00	Section 5309 Capital (\$413K)	TN Department of Transportation	02885	-	73,782		(85,869)			(12,086)
20.500	GG-14-41961-00	Section 5309 Capital (\$105K)	TN Department of Transportation	02886	-	115,199		(115,199)			-
20.500	GG-16-49237-00	Section 5309 Capital (\$112K)	TN Department of Transportation	02885	-	90,000		(90,000)			-
20.513	Z-16EMSP05-00	Section 5310 Capital (\$633K)	TN Department of Transportation	02800	(30,029)	122,137	633,420	(633,420)			-
20.516	GG-14-40156-00	Job Access FY12 \$383K	TN Department of Transportation	02821	(283,210)	283,210		(119,344)			-
20.509	Z-14-RTO002-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation	02800	(1,566,367)	3,376,586		(1,810,215)			-
20.509	Z-15-RTO002-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation	02800	-	832,929		(2,148,339)			-
20.509	Z-16-RTO001-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation	02708	(3,472)	21,362		(187,950)			(131,541)
20.521	Z-12-NF001-00	New Freedom \$317 (capital-mobility mgt)	TN Department of Transportation	02785	(4,133)	5,850		(23,484)			(5,994)
	BOPP	TN Department of Correction		02829	-	350		(6,234)			(5,609)
	TEIS	GG-16-47596-00		02829	-	350		(388)			(388)
20.507	TN-90-3372-00	\$307 Urban Operating Assistance UZA-Knoxville	FTA		(441,250)	-		(500,000)	441,250		(500,000)
20.507	TN-90-3373-00	\$307 Urban Operating Assistance UZA-Morristown	FTA		(8,045)	471,453		(513,400)			(50,000)
	Z-15-UR0P-11-00	FY15 UR0P State Operating Assistance	TN Department of Transportation		-	-		(329,000)			(329,000)
10.568	45995	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture	02811	(9,363)	39,107		(41,079)			(11,335)
17.235	LW764P14SCSEP15	Title V - SCSEP	TN Department of Labor and Workforce Development	02764-02765	(71,795)	306,416		(293,933)			(59,311)
17.235	312	SSAI Senior Employment	Senior Service American Inc	02766-02767	(142,539)	848,286		(806,742)			(100,995)
84.002A	LWNI2FI1AIESD15	Workforce Investment Act	TN Department of Labor and Workforce Development	02856	(92,475)	194,349		(196,589)			(94,685)
17.239	LW04P131YOUTH14	Workforce Investment Act	TN Department of Labor and Workforce Development	02842-02844	(0)	-	0	-			-
84.002A	LWNI2FI1AIESD13	Workforce Investment Act	TN Department of Labor and Workforce Development	02859	(1,389)	1,389		(18,570)			(18,570)
17.267	LW39P121NONTV13	Workforce Investment Act	TN Department of Labor and Workforce Development	02865	-	2,500		(2,500)			-
17.278	LW04P141ADULT15	Workforce Investment Act	TN Department of Labor and Workforce Development	02889	(0)	-	0	-			-
17.278	LW04P141DLSLWKS15	Workforce Investment Act	TN Department of Labor and Workforce Development	02891-02892	(2,762)	11,273		(8,311)			-
17.258	LW04F151ADULT15	Workforce Investment Act	TN Department of Labor and Workforce Development	02902-02903	(62,373)	688,692		(652,151)	15,832		(0)
17.278	LW04F151DLSLWKS15	Workforce Investment Act	TN Department of Labor and Workforce Development	02904-02905	(29,961)	709,350		(691,956)			(12,567)
17.259	LW04F151NCSWA14	Workforce Investment Act	TN Department of Labor and Workforce Development	02906	-	22,125		(22,125)			-
17.278	LW04F151NWSRP15	Workforce Investment Act	TN Department of Labor and Workforce Development	02907	-	59,200		(59,200)			-
17.259	LW04P141YUSWA15	Workforce Investment Act	TN Department of Labor and Workforce Development	02911-02912	(2,310)	9,837		(7,250)			-
17.259	LW04P131YOUTH16	Workforce Investment Act	TN Department of Labor and Workforce Development	02913-02915	(288,090)	661,217	(15,832)	(416,614)			(99,318)
17.225	LW04F151RESEA16	Workforce Investment Act	TN Department of Labor and Workforce Development	02927, 02943	-	34,541		(40,918)			(6,377)
17.258	LW04P151ADULT16	Workforce Investment Act	TN Department of Labor and Workforce Development	02939-02930	-	102,657		(102,657)			-
17.278	LW04P151DLSLWKS16	Workforce Investment Act	TN Department of Labor and Workforce Development	02931-02932	-	95,788		(135,580)			(39,800)
17.278	LW04F151NCSWA15	Workforce Investment Act	TN Department of Labor and Workforce Development	02940	-	11,335		(38,625)			(27,287)
17.258	LW04F161ADULT16	Workforce Investment Act	TN Department of Labor and Workforce Development	02946	-	519,829		(671,072)			(151,244)
17.278	LW04F161DLSLWKS16	Workforce Investment Act	TN Department of Labor and Workforce Development	02948-02949	-	1,604		(37,083)			(35,477)

East Tennessee Human Resource Agency, Inc.
 Schedule of Grant Activity
 For Year Ended June 30, 2016

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

CFDA #	GRANT #	PROGRAM NAME	FY16 PROJECT	Balance July 1, 2015	Cash Receipts	Transfers In	Expenditures	Transfers Out	Payments made to State	Balance June 30, 2016
17.278	LW04F14JF3SP14	Workforce Investment Act	02954	(4,248,014)	27,438,919	524,863	(50,874)	464,595	-	(50,874)
		Totals		(4,248,014)	27,438,919	524,863	(50,126,646)	464,595	-	(5,846,283)

*Major Federal Assistance Program

(1) Represents amounts due from grantees and contracts

(2) Represents advances from grantees

(3) Represents unearned grantor revenue

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 SCHEDULE OF NON-CASH ASSISTANCE (1)
 FOR THE YEAR ENDED JUNE 30, 2016

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

	<u>GRANT #</u> <u>83265-45905</u>	<u>GRANT #</u> <u>83265-54385</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 7/1/2015</u>	\$ <u>132,312</u>	\$ <u>-</u>	\$ <u>132,312</u>
<u>Receipts</u>	\$ <u>53,316</u>	\$ <u>167,495</u>	\$ <u>220,812</u>
<u>Change in USDA Rate (2)</u>	\$ <u>-</u>	\$ <u>879</u>	\$ <u>879</u>
<u>Other Additions (3)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Commodities Distributed</u>	\$ <u>56,376</u>	\$ <u>151,962</u>	\$ <u>208,338</u>
<u>Other Deductions (4)</u>	\$ <u>6,876</u>	\$ <u>8,813</u>	\$ <u>15,689</u>
<u>Balance 6/30/2016</u>	\$ <u><u>122,376</u></u>	\$ <u><u>7,600</u></u>	\$ <u><u>129,976</u></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 6/30/2016.

(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, 2016

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	41,079
Passed through Tennessee Department of Human Services:		
Child and Adult Care Food Program	10.558	990,430
Summer Food Service Program for Children	10.559	639,307
		<u>1,670,816</u>
U.S. Department of Housing and Urban Development:		
Section 8 Rental Voucher Program	14.871	3,724,319
Passed through Tennessee Department of Health:		
Housing Opportunities for Persons with Aids	14.241	274,834
		<u>3,999,153</u>
U.S. Department of Labor:		
Senior Community Service Employment-SSAI	17.235	806,742
Passed through Tennessee Commission on Aging:		
Passed through Tennessee Department of Labor and Workforce Development		
Employment Service	17.207	114,877
Unemployment Insurance	17.225	40,918
Career Centers-Pass Thru	17.235	37,497
Senior Community Service Employment-State	17.235	293,932
Workforce Investment Act Adult Program	17.258	1,425,880
Workforce Investment Act Youth Activities	17.259	446,265
Workforce Investment Incentive Grants	17.267	2,500
Workforce Investment Act Dislocated Worker Formula	17.278	1,021,833
		<u>4,190,444</u>
U.S. Department of Transportation:		
Passed through Tennessee Department of Transportation:		
Federal Transit_Capital Investment Grants	20.500	291,067
Federal Transit_Formula Grants	20.507	1,013,408
Formula Grants for Other Than Urbanized Areas	20.509	4,146,507
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	633,420
Job Access_Reverse Commute	20.516	119,344
New Freedom	20.521	23,484
		<u>6,227,230</u>
U.S. Department of Energy:		
Weatherization Assistance for Low-income Persons	81.042	0
		<u>0</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	121,994
Adult Education	84.002A	215,128
		<u>337,122</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	1,398
		<u>1,398</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2016

Federal/Pass-through Agency/Program Title	CFDA Number	
U.S. Department of Health and Human Services:		
Passed through Tennessee Commission on Aging:		
Special Programs for the Aging, Title VII, Chapter 3	93.041	10,248
Special Programs for the Aging, Title VII, Chapter 2	93.042	57,900
Special Programs for the Aging, Title III, Part D	93.043	79,596
Special Programs for the Aging, Title III, Part B	93.044	1,101,732
Special Programs for the Aging, Title III, Part C	93.045	2,308,417
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	560,546
Nutritional Services Incentive Program	93.053	348,100
		<u>4,466,539</u>
Passed through Tennessee Department of Human Services:		
Low Income Heating and Energy Assistance Program	93.568	1,976,999
Community Services Block Grant	93.569	306,688
Social Services Block Grant	93.667	417,117
		<u>2,700,804</u>
Passed through Tennessee Department of Health:		
HIV Care Formula Grants - Consortia Services	93.917	578,604
HIV Prevention Activities	93.940	156,277
		<u>734,881</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	120,075
PPACA / MIPPA	93.071	65,264
		<u>185,339</u>
Passed through TennCare		
Medical Assistance Program	93.778	921,426
		<u>921,426</u>
Total Federal		<u>25,435,152</u>
State and Local Grants:		
Child Protective Services	N/A	20,979
Community Corrections	N/A	1,628,469
Community Intervention Services	N/A	146,712
Senior Centers	N/A	246,931
State Guardianship	N/A	111,500
State Homemaker	N/A	63,800
State Nutrition	N/A	119,700
State Aging - Options	N/A	1,924,646
Aging Services -III-E Match	N/A	84,882
VDHCS	N/A	1,170
Transportation BOPP	N/A	6,324
Transportation TEIS	N/A	738
Transportation UROP	N/A	329,000
Career Centers - TDVA	N/A	6,643

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2016

<u>Federal/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>
Total State and Local	<u>4,691,494</u>

CFDA = Catalog of Federal Domestic Assistance 30,126,646

N/A = Not Applicable

(1) Presented in conformity with Generally Accepted Accounting Principles

East Tennessee Human Resource Agency, Inc.
HUD Housing Choice Voucher Program Financial Data Schedule
June 30, 2016

<u>ASSETS</u>	<u>HUD HCV</u>
111 Cash - unrestricted	\$ 249,188
113 Cash - other restricted	44,094
100 Total cash	<u>293,282</u>
121 Accounts receivable - PHA projects	-
128 Fraud recovery	11,513
128.1 Allowance for doubtful accounts - fraud	<u>(11,513)</u>
120 Total receivables, net of allowance for doubtful accounts	<u>0</u>
150 Total current assets	<u>293,282</u>
164 Furniture, equipment & machinery - administration	56,650
166 Accumulated depreciation	<u>(56,650)</u>
160 Total capital assets, net of accumulated depreciation	<u>0</u>
180 Total non-current assets	<u>0</u>
290 Total assets	<u><u>\$ 293,282</u></u>
 <u>LIABILITIES</u>	
312 Accounts payable <= 90 days	\$ 7,582
322 Accrued compensated absences - current portion	-
346 Accrued liabilities - other	-
310 Total current liabilities	<u>7,582</u>
353 Non-current liabilities - other	<u>25,657</u>
350 Total non-current liabilities	<u>25,657</u>
300 Total liabilities	<u>33,239</u>
 <u>NET POSITION</u>	
508.4 Net investment in capital assets	-
511.4 Restricted net position	12,214
512.4 Unrestricted net position	<u>247,829</u>
513 Total equity - net assets/position	<u>260,043</u>
600 Total liabilities and equity - net assets/position	<u><u>\$ 293,282</u></u>
 Line 113 Details:	
113-020 FSS escrow deposits	\$ 25,657
113-030 All other funds	18,437
	<u><u>\$ 44,094</u></u>

East Tennessee Human Resource Agency, Inc.
HUD Housing Choice Voucher Program Financial Data Schedule
For the Year Ended June 30, 2016

	HUD HCV
<u>REVENUES</u>	
70600 HUD PHA operating grants	\$ 3,724,319
71400 Fraud recovery	1,096
71500 Other revenue	9,927
70000 Total operating revenues	3,735,342
<u>EXPENSES</u>	
Administrative:	
91100 Administrative salaries	170,797
91200 Auditing fees	4,894
91400 Advertising and marketing	346
91500 Employee benefit contributions - administrative	45,730
91600 Office expenses	58,001
91800 Travel	8,836
91810 Allocated overhead	46,810
91000 Total operating - administrative	335,414
Tenant:	
92100 Tenant services - salaries	27,037
92300 Employee benefit contributions - tenant services	7,569
92500 Total tenant services	34,606
Insurance premiums:	
96120 Liability insurance	6,646
96100 Total insurance premiums	6,646
96900 Total operating expenses	376,666
97000 Excess of operating revenue over operating expenses	3,358,676
97300 Housing assistance payments	3,329,944
97350 HAP portability-in	5,283
97400 Depreciation expense	3,655
90000 Total expenses	3,715,548
10000 Excess (deficiency) of total revenue over (under) total expenses	\$ 19,794

East Tennessee Human Resource Agency, Inc.
HUD Housing Choice Voucher Program Financial Data Schedule
For the Year Ended June 30, 2016

	HUD HCV
Memo account information:	
11030 Beginning equity	\$ 240,249
11040 Prior period adjustments, equity transfers, and correction of errors	\$ -
11170 Administrative fee equity	\$ 247,829
11180 Housing assistance payments equity	\$ 12,214
11190 Unit months available	8,065
11210 Number of unit months leased	8,089
Line item 70600 details:	
70600-010 Housing assistance payments	\$ 3,293,509
70600-020 Ongoing administrative fees earned	396,204
70600-031 FSS coordinator grant	34,606
Total	\$ 3,724,319
Line item 71400 details:	
71400-010 Housing assistance payment	\$ 548
71400-020 Administrative fee	548
Total	\$ 1,096
Line item 97300 details:	
97300-020 Home-ownership	\$ 118,793
97300-040 Tenant protection	19,690
97300-045 FSS escrow deposits	24,904
97300-050 All other	3,166,557
Total	\$ 3,329,944
Line item 11170 details:	
11170-001 Administrative fee equity - beginning balance	\$ 196,081
11170-010 Administrative fee revenue	396,204
11170-021 FSS coordinator grant	34,606
11170-045 Fraud recovery revenue	548
11170-050 Other revenue	5,995
11170-051 Other revenue comment - Admin & HAP for portability in	
11170-060 Total admin fee revenues	437,353
11170-080 Total operating expenses	376,666
11170-090 Depreciation	3,655
11170-095 Housing assistance payment portability in	5,283
11170-100 Other expenses	1
11170-101 Comment for other expense - prior period expense correction	
11170-110 Total expenses	385,605
11170-002 Net administrative fee	51,748
11170-003 Administrative fee equity - ending balance	\$ 247,829
11170-006 Post-2003 administrative fee reserves	\$ 247,829

**East Tennessee Human Resource Agency, Inc.
 HUD Housing Choice Voucher Program Financial Data Schedule
 For the Year Ended June 30, 2016**

		HUD HCV
Line item 11180 details:		
11180-001	Housing assistance payments equity - beginning balance	\$ 44,168
11180-010	Housing assistance payments revenue	3,293,509
11180-015	Fraud recovery revenue	548
11180-020	Other revenue	3,933
11180-021	Comments for other revenue - forfeitures, rounding	
11180-030	Total housing assistance payments revenue	3,297,990
11180-080	Housing assistance payments	3,329,944
11180-090	Other expenses	-
11180-091	Comments for other expenses - prior period expense correction	
11180-100	Total housing assistance payments expenses	3,329,944
11180-002	Net housing assistance payments	(31,954)
11180-003	Housing assistance payments equity - ending balance	\$ 12,214
Line item 11190 details:		
11190-210	Total ACC HCV Units	8,065

**East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Section 1 – Summary of Auditor Results

Financial Statements

Types of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified?	None Reported
Types of auditor’s report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Federal 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
Threshold for major federal program	\$903,799

**East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Dollar threshold used to distinguish between Type A and
Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CRANE, THOMPSON & JONES, P.C.

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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, 2016, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated December 12, 2016.

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

Compliance and Other Matters

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

Purpose of this Report

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

Craig Thompson + Jones, P.C.

Morristown, Tennessee
December 12, 2016

CRAINE, THOMPSON & JONES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
East Tennessee Human Resource Agency, Inc.

Report on Compliance for Each Major Federal Program

We have audited East Tennessee Human Resource Agency, Inc.'s (ETHRA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ETHRA's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ETHRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, ETHRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is no suitable for any other purpose.

Craine Thompson & Jones, P.C.

Morristown, Tennessee
December 12, 2016