



Annual Financial Report

June 30, 2017

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, 2017

Anderson County

- *+ County Mayor Terry Frank - 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 - Secretary
Mayor Chris Stanley, Caryville
Mayor Mike Stanfield, LaFollette
Mayor Jack Cannon, Jacksboro
Mayor Forster Baird, Jellico
- ** Mr. Greg Leach

Claiborne County

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

Coeke County

- * County Mayor Crystal Ottinger
Mayor DeWayne Daniel, Parrottsville
Mayor Connie Ball, Newport
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 Fred Sykes, Rutledge
Mr. David Lietzke

Hamblen County

- *+ County Mayor Bill Brittain
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 Beau Tucker, New Market
Mayor Glenn Warren, Jr., 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 - Treasurer
Mayor Wayne Best, Harriman
- * Mayor Tim Neal, Kingston
Mayor Jerry Vann, Oliver Springs
Mayor Mike Miller, Rockwood
- ** Mr. Jerry Johnson

Scott County

- * County Mayor Dale Perdue
Mayor Dennis Jeffers, 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 - Vice Chair
Mayor H. E. Richardson, Maynardville
Mayor Gary Chandler, Plainview

Key

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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, 2017. 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 2017.

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.

Analysis of Financial Position

	2017	2016	Increase/ (Decrease)
ASSETS			
Cash and cash equivalents	\$ 2,500,882	\$ 3,181,583	\$ (680,701)
Capital assets (net of accumulated depreciation)	2,744,933	3,198,847	(453,914)
Receivables from grantors, contractors, and others	7,514,963	7,197,141	317,822
Prepaid expenses and deposits	225,570	186,098	39,472
TOTAL ASSETS	12,986,348	13,763,669	(777,321)
TOTAL LIABILITIES			
Investment in capital assets	2,744,933	3,198,847	(453,914)
Restricted net position	5,743,223	1,266,140	4,477,083
Unrestricted net position	1,004,267	5,363,178	(4,358,911)
TOTAL NET POSITION	\$ 9,492,423	\$ 9,828,165	\$ (335,742)
REVENUES			
Operating grants and contributions	\$ 27,966,402	\$ 25,090,880	\$ 2,875,522
Charges for services	9,291,631	8,504,993	786,638
Assessment to local governments	245,440	236,240	9,200
TOTAL REVENUES	\$ 37,503,473	\$ 33,832,113	\$ 3,671,360
EXPENSES			
General government	\$ 2,908,869	\$ 2,118,917	\$ 789,952
Aging	6,885,791	7,069,999	(184,208)
ETHRA Aging	1,137,358	1,140,402	(3,044)
Transportation	8,526,868	7,591,394	935,474
Workforce development	3,202,247	3,207,708	(5,461)
Housing and restoration	2,962,281	1,971,446	990,835
Title V	1,333,734	1,223,980	109,754
AIDS support	868,818	980,023	(111,205)
Corrections and probation	1,682,060	1,723,096	(41,036)
Child and Family Assistance	2,344,115	1,571,324	772,791
Homemaker	471,666	472,296	(630)
Mountain Valley	314,669	316,246	(1,577)
Loan	78	(27,066)	27,144
Misdemeanor	1,346,528	1,529,007	(182,479)
Transportation Enterprise	136,086	118,479	17,607
HUD Housing Choice Voucher	3,718,048	3,668,738	49,310
TOTAL EXPENSES	\$ 37,839,216	\$ 34,675,989	\$ 3,163,227
CHANGE IN NET POSITION	\$ (335,743)	\$ (843,876)	\$ 508,133

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 2017, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Program Highlights

Although ETHRA had a loss in net position of \$335,743, the total net position is still at a healthy level of \$9,492,423. Overall, during FY 17, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget.

FY 17 was a better year for the ETHRA transportation program. ETHRA was able to recover a portion of the revenues that FTA decided not to reimburse through contracts with the State. Also, FTA has increased their funding to ETHRA in FY17.

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 \$148,000. 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. On the positive side, ETHRA expects the transportation programs to show significant improvement in FY 18.

Contact Information

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

CRAINE, THOMPSON & JONES, P.C.

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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, 2017, 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, 2017, 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 29, 2017, 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.

Crain Thompson + Jones, P.C.

Morristown, Tennessee
December 29, 2017

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,475,496	\$ 1,007,417	\$ 2,482,913
Investments	17,969	-	17,969
Receivables, net of allowance for uncollectible accounts	6,718,546	1,220	6,719,766
Internal receivable, net			-
Loans receivable	795,197	-	795,197
Deposits	5,744	-	5,744
Prepaid expenditures	219,826	-	219,826
Capital assets, not being depreciated			
Land	32,614	-	32,614
Construction in progress	217,833	-	217,833
Capital assets, net of accumulated depreciation			
Buildings	762,697	-	762,697
Furniture and equipment	112,431	-	112,431
Leasehold improvements	-	-	-
Vehicles	1,519,152	100,206	1,619,358
Total capital assets	<u>2,644,727</u>	<u>100,206</u>	<u>2,744,933</u>
Total assets	<u>11,877,505</u>	<u>1,108,843</u>	<u>12,986,348</u>
<u>LIABILITIES</u>			
Accounts payable	1,127,581	15,543	1,143,124
Accrued expenses	2,351,247	(446)	2,350,801
Deferred revenue	-	-	-
Advances	-	-	-
Due in more than one year			
Total liabilities	<u>3,478,828</u>	<u>15,097</u>	<u>3,493,925</u>
<u>NET POSITION</u>			
Investment in capital assets	2,644,727	100,206	2,744,933
Restricted for:			
THDA - House Loan	1,102,739	-	1,102,739
MVEOA	184,634	-	184,634
East Tennessee Foundation Investment	17,969	-	17,969
Human Resource Services	4,437,881	-	4,437,881
Unrestricted	10,727	993,540	1,004,267
Total net position	<u>\$ 8,398,677</u>	<u>\$ 1,093,746</u>	<u>\$ 9,492,423</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses			Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Direct	Indirect	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
							Governmental Activities	Business-type Activities	
Primary government									
Governmental activities									
General government	\$ 2,860,542	\$ (2,369,422)	\$ -	\$ 2,233	\$ -	\$ (488,887)	\$ -	\$ -	\$ (488,887)
Aging	6,885,791	319,216	157,095	7,719,891	-	671,979	-	-	671,979
ETHRA Aging	1,137,358	95,863	144,272	171,487	-	(917,462)	-	-	(917,462)
Transportation	8,526,868	1,088,630	3,328,517	6,134,174	-	(152,807)	-	-	(152,807)
Workforce development	3,202,247	289,401	59,369	3,505,399	-	73,120	-	-	73,120
Housing and restoration	2,962,281	45,887	-	3,058,070	-	49,902	-	-	49,902
Title V	1,333,734	22,627	-	1,356,361	-	-	-	-	-
AIDS support	868,818	21,434	-	883,993	-	(6,259)	-	-	(6,259)
Corrections and probation	1,682,060	120,931	65,906	1,784,296	-	47,211	-	-	47,211
Child and Family Assistance	2,344,115	22,628	-	2,495,241	-	128,498	-	-	128,498
Homemaker	471,666	60,685	-	467,127	-	(65,224)	-	-	(65,224)
Mountain Valley	314,669	35,617	-	365,645	-	15,359	-	-	15,359
Loan	78	-	-	22,485	-	22,407	-	-	22,407
Total governmental activities	32,590,227	(246,503)	3,755,159	27,966,402	-	(622,163)	-	-	(622,163)
Business-type activities									
Misdemeanor	1,346,528	182,707	1,507,084	-	-	-	(22,151)	(22,151)	(22,151)
Transportation Enterprise	136,086	16,800	187,954	-	-	-	35,068	35,068	35,068
HUD Housing Choice Voucher	3,718,048	46,996	3,841,434	-	-	-	76,390	76,390	76,390
Total business-type activities	5,200,662	246,503	5,536,472	-	-	(622,163)	89,307	89,307	(532,856)
Total primary government	\$ 37,790,889	\$ -	\$ 9,291,631	\$ 27,966,402	\$ -	(622,163)	\$ 89,307	\$ 89,307	(532,856)
General revenues:									
Assessments to local governments						245,440	-	-	245,440
Transfers						(48,327)	-	-	(48,327)
Total general revenues						197,113	-	-	197,113
Net position - beginning						(425,050)	89,307	89,307	(335,743)
Net position - ending						8,823,727	1,004,439	1,004,439	9,828,166
Net position - ending						\$ 8,398,677	\$ 1,093,746	\$ 1,093,746	\$ 9,492,423

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Balance Sheet
Governmental Funds
June 30, 2017

	General	Human Resource Services	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,172,001	\$ (1,766,778)	\$ (594,777)
Investments	17,969	-	17,969
Grant and contract receivables, net of allowance for uncollectibles	-	6,718,546	6,718,546
Loans receivable	-	795,197	795,197
Deposits	5,744	-	5,744
Prepaid expenditures	2,648	6,941	9,589
Total assets	\$ 1,198,362	\$ 5,753,906	\$ 6,952,268
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 5,977	\$ 1,272,632	\$ 1,278,609
Accrued expenses	67,815	18,348	86,163
Total liabilities	73,792	1,290,980	1,364,772
 Fund balances:			
Nonspendable	8,392	-	8,392
Restricted	17,081	4,462,926	4,480,007
Assigned	-	-	-
Unassigned	1,099,097	-	1,099,097
Total fund balances	1,124,570	4,462,926	5,587,496
Total liabilities and fund balances	\$ 1,198,362	\$ 5,753,906	

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 \$8,897,838.	2,644,727
Net position of internal service funds	166,454
Net position of governmental activities	\$ 8,398,677

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, 2017

	General	Human Resource Services	Total Governmental Funds
<u>REVENUES</u>			
Grantor contributions	\$ -	\$ 27,176,949	\$ 27,176,949
Program income	-	3,636,924	3,636,924
USDA	-	384,500	384,500
Assessments to local governments	245,440	41,050	286,490
In-kind contributions	-	336,653	336,653
Interest income	-	22,446	22,446
Other income	2,233	120,807	123,040
Total revenues	<u>247,673</u>	<u>31,719,329</u>	<u>31,967,002</u>
<u>EXPENDITURES</u>			
Current:			
General	7,613	-	7,613
Aging	-	7,205,007	7,205,007
ETHRA Aging	-	1,233,221	1,233,221
Workforce Development	-	3,491,648	3,491,648
Title V	-	1,356,361	1,356,361
LIHEAP WAP	-	3,008,168	3,008,168
Transportation Call Center	-	9,615,497	9,615,497
Community Corrections	-	1,802,991	1,802,991
Child Care Food	-	2,366,743	2,366,743
Homemaker	-	532,351	532,351
Mountain Valley	-	350,287	350,287
AIDS Support	-	890,252	890,252
Loan Program	-	79	79
Total expenditures	<u>7,613</u>	<u>31,852,605</u>	<u>31,860,218</u>
Excess of revenues over expenditures	<u>240,060</u>	<u>(133,276)</u>	<u>106,784</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in - match	-	158,321	158,321
Transfers out - match	<u>(206,648)</u>	<u>-</u>	<u>(206,648)</u>
Total other financing sources (uses)	<u>(206,648)</u>	<u>158,321</u>	<u>(48,327)</u>
Net change in fund balance	<u>33,412</u>	<u>25,045</u>	<u>58,457</u>
Fund balances - beginning	<u>1,091,158</u>	<u>4,437,881</u>	<u>5,529,039</u>
Fund balances - ending	<u>\$ 1,124,570</u>	<u>\$ 4,462,926</u>	<u>\$ 5,587,496</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, 2017

Net change in fund balances - total governmental funds \$ 58,457

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	(656,522)
Capital assets purchases capitalized	115,568
Proceeds from sale of capital assets	(34,887)
Other changes in net position of internal service funds	92,334
	(483,507)

Change in net position of governmental activities \$ (425,050)

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2017

	<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	\$ 85,483	\$ 342,140	\$ 579,794	\$ 1,007,417	\$ 2,070,273
Accounts receivable	-	-	1,220	1,220	-
Grants receivable	-	-	-	-	-
Payroll receivables	-	-	-	-	-
Prepaid expenditures	-	-	-	-	210,237
Total current assets	<u>85,483</u>	<u>342,140</u>	<u>581,014</u>	<u>1,008,637</u>	<u>2,280,510</u>
Noncurrent Assets:					
Capital assets					
Construction in progress	-	-	-	-	217,833
Vehicles, net	-	-	100,206	100,206	1,498,627
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>100,206</u>	<u>100,206</u>	<u>1,716,460</u>
Total assets	<u>\$ 85,483</u>	<u>\$ 342,140</u>	<u>\$ 681,220</u>	<u>\$ 1,108,843</u>	<u>\$ 3,996,970</u>
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable	\$ 9,361	\$ 6,153	\$ 29	\$ 15,543	\$ (151,028)
Accrued expenses	-	(446)	-	(446)	2,265,084
Total current liabilities	<u>9,361</u>	<u>5,707</u>	<u>29</u>	<u>15,097</u>	<u>2,114,056</u>
Noncurrent Liabilities:					
Capital lease payable	-	-	-	-	-
Total liabilities	<u>9,361</u>	<u>5,707</u>	<u>29</u>	<u>15,097</u>	<u>2,114,056</u>
<u>NET POSITION</u>					
Investment in capital assets	-	-	100,206	100,206	1,716,460
Unrestricted net position	<u>76,122</u>	<u>336,433</u>	<u>580,985</u>	<u>993,540</u>	<u>166,454</u>
Total net position	<u>\$ 76,122</u>	<u>\$ 336,433</u>	<u>\$ 681,191</u>	<u>\$ 1,093,746</u>	<u>\$ 1,882,914</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, 2017

	<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	\$ -	\$ -	\$ -	\$ -	\$ -
Program income	1,506,782	3,823,992	187,954	5,518,728	-
Other revenue	302	17,442	-	17,744	425,187
Total operating revenues	<u>1,507,084</u>	<u>3,841,434</u>	<u>187,954</u>	<u>5,536,472</u>	<u>425,187</u>
<u>OPERATING EXPENSES</u>					
Salaries	761,968	199,637	70,408	1,032,013	-
Fringe benefits	204,980	53,471	19,286	277,737	198,428
Grant and program costs	-	3,374,099	-	3,374,099	-
Occupancy	110,357	21,707	-	132,064	-
Consultants and contracted services	20,361	5,882	173	26,416	3,000
Gasoline	-	-	11,465	11,465	17,147
Telephone	42,798	8,360	-	51,158	-
Training and conferences	52,998	3,775	-	56,773	-
Travel	68,270	13,986	-	82,256	-
Supplies	23,827	3,177	88	27,092	-
Insurance and bonding	22,400	7,319	7,275	36,994	13,555
Maintenance and repairs	23,533	11,262	87	34,882	20,312
Rentals	-	6,234	583	6,817	-
Depreciation	-	-	26,721	26,721	656,522
Postage and freight	8,641	6,135	-	14,776	-
Printing	9,535	2,251	-	11,786	-
Other expenses	(3,140)	753	-	(2,387)	18
Indirect cost allocation	182,707	46,996	16,800	246,504	-
Total operating expenses	<u>1,529,235</u>	<u>3,765,044</u>	<u>152,886</u>	<u>5,447,166</u>	<u>908,982</u>
Operating income/(loss)	(22,151)	76,390	35,068	89,307	(483,795)
Transfers in (out)	-	-	-	-	50,231
Total net income	<u>(22,151)</u>	<u>76,390</u>	<u>35,068</u>	<u>89,307</u>	<u>(433,564)</u>
Total net position - beginning	<u>98,273</u>	<u>260,043</u>	<u>646,123</u>	<u>1,004,439</u>	<u>2,316,478</u>
Total net position - ending	<u>\$ 76,122</u>	<u>\$ 336,433</u>	<u>\$ 681,191</u>	<u>\$ 1,093,746</u>	<u>\$ 1,882,914</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, 2017

	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Supervision fee receipts	\$ 1,475,430	\$ -	\$ -	\$ 1,475,430	\$ -
Fee receipts	31,352	3,823,992	211,462	4,066,806	-
Grants	-	-	-	-	-
Receipts of contributions	-	-	-	-	-
Other revenue	-	17,442	-	17,442	425,187
Receipts of interest	302	-	-	302	-
Payments to employees	(761,884)	(199,637)	(70,408)	(1,031,929)	34,059
Payments for fringe benefits	(204,980)	(53,471)	(19,286)	(277,737)	(300,341)
Payments to vendors	(380,106)	(3,466,814)	(19,676)	(3,866,596)	(286,525)
Payments for indirect costs	(182,707)	(46,996)	(16,800)	(246,503)	-
Payments for close-out	-	-	-	-	-
Net Cash Provided by Operating Activities	<u>(22,593)</u>	<u>74,516</u>	<u>85,292</u>	<u>137,215</u>	<u>(127,620)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	-	-	-	-	50,231
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	-	-	(279,273)
Proceeds from sale of capital assets	-	-	-	-	-
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279,273)</u>
Net Increase in Cash and Cash Equivalents	(22,593)	74,516	85,292	137,215	(356,662)
Balance - beginning of the year	108,076	267,624	494,502	870,202	2,426,935
Balances - end of the year	<u>\$ 85,483</u>	<u>\$ 342,140</u>	<u>\$ 579,794</u>	<u>\$ 1,007,417</u>	<u>\$ 2,070,273</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ (22,151)	\$ 76,390	\$ 35,068	\$ 89,307	\$ (483,795)
Adjustments:					
Depreciation expense	0	-	26,722	26,722	656,522
Transfers to other funds	-	-	-	-	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	-	-	-	-	232.00
(Increase) decrease in grants receivable	-	-	23,508	23,508	-
(Increase) decrease in payroll receivables	-	-	-	-	-
(Increase) decrease in prepaid expenditure	-	-	-	-	(33,719)
Increase (decrease) in accounts payable	(526)	(1,428)	(6)	(1,960)	(213,231)
Increase (decrease) in accrued expenses	84	(446)	-	(362)	(53,629)
Net Cash Provided by Operating Activities	<u>\$ (22,593)</u>	<u>\$ 74,516</u>	<u>\$ 85,292</u>	<u>\$ 137,215</u>	<u>\$ (127,620)</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Statement of Net Position
Fiduciary Funds
June 30, 2017

	Public Guardian	HUD Escrow	Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 354,920	\$ 34,162	\$ 12,355
Due from other funds	-	-	-
Other receivables	-	1,669	-
Investments, at fair value:			
Investment accounts	-	-	-
Land and buildings	981,500	-	-
Total assets	1,336,420	35,831	12,355
 <u>LIABILITIES</u>			
Accounts payable	-	446	-
Assets held for others	-	-	12,355
Total liabilities	-	446	\$ 12,355
 <u>NET POSITION</u>			
Held in trust	\$ 1,336,420	\$ 35,385	

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, 2017

	<u>Public Guardian</u>	<u>HUD Escrow</u>
<u>ADDITIONS</u>		
Contributions	\$ 737,558	\$ 30,211
Trust account income	359,035	-
Other revenue	1,689	-
Interest	146	18
Total additions	<u>1,098,428</u>	<u>30,229</u>
<u>DEDUCTIONS</u>		
Distributions from escrow	-	20,503
Forfeitures/Moveout	-	-
Nursing home/residential care	437,294	-
Legal	274,809	-
Living expenses	69,969	-
Burial expenses	41,034	-
Medical and dental	31,322	-
Fees transfer	24,061	-
Taxes	17,402	-
Insurance	6,231	-
Furnishings	-	-
Other expenses	183,015	-
Distributions to beneficiaries	1,006,661	-
Total deductions	<u>2,091,798</u>	<u>20,503</u>
Change in net position	(993,370)	9,726
Net position - beginning of year	2,329,790	25,659
Net position - end of year	<u>\$ 1,336,420</u>	<u>\$ 35,385</u>

See accompanying notes to the financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017. The allowance for uncollectible accounts for other receivables was \$0 at June 30, 2017.

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, 2017, were \$465,258 and ETHRA's matching contribution was \$314,226.

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 \$970,148 in fiscal year 2017. The contingent lease payments for fiscal year 2018 amount to \$988,495.

NOTE 7: CAPITAL ASSETS

Governmental and business-type activities' capital asset changes for the year ended June 30, 2017 were as follows:

Governmental activities' capital asset changes for the year ended June 30, 2017 were as follows:

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Buildings Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,355,388	-	-	2,355,388
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	7,381,938	115,568	(34,887)	7,462,619
Total other capital asset at cost	11,211,437	115,568	(34,887)	11,292,118
Less accumulated depreciaton for:				
Buildings Total	(431,034)	(36,997)	-	(468,032)
Furniture & Equipment Total	(2,224,819)	(18,138)	-	(2,242,957)
Leasehold improvements Total	(236,295)	(7,088)	-	(243,383)
Vehicles Total	(5,279,985)	(663,482)	-	(5,943,467)
Total accumulated depreciation	(8,172,133)	(725,704)	-	(8,897,838)
Governmental capital assets net	3,071,917	(610,136)	-	2,426,894
Business-type capital assets:				
Vehicles	301,897	-	-	301,897
Accumulated depreciation	(174,972)	(26,722)	-	(201,693)
Business-type capital assets, net	126,925	(26,722)	-	100,203
Total capital assets	\$ 3,198,842	\$ (636,858)	\$ -	\$ 2,559,711

Depreciation expenses for the year ended June 30, 2017 was charged to programs/functions as follows:

Administration	Depreciation \$ 47,472
Aging	2,706
Corrections and probation	9,840
Transportation	665,686
Total depreciation and capital expenses governmental activities	725,704
Oak Ridge Transit	26,722
Total depreciation and business-type activities	26,722
	\$ 752,426

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 FY17.

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 FY17.

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	\$ 8,392	\$ -	\$ 8,392
<u>Restricted for:</u>			
Mountain Valley		184,634	184,634
Loan		1,102,739	1,102,739
Human Resource Services		3,175,553	3,175,553
East Tennessee Foundation			
Investment	17,081		17,081
<u>Unassigned</u>	<u>1,099,097</u>		<u>1,099,097</u>
Total fund balances	<u>\$ 1,124,570</u>	<u>\$ 4,462,926</u>	<u>\$ 5,587,496</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 \$1,360,471 at June 30, 2017. 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, 2017, consisted of the following:

Transfer From	Transfer To			
	General Fund	Aging	Community Corrections	Aids Support
ETHRA Aging	\$ 114,260	\$ 820,189	\$ -	\$ 1,641
Transportation/Call Center	20,498	-	-	-
Homemaker	71,891	-	-	-
Internal Service Fund	-	-	50,231	-
Total	\$ 206,649	\$ 820,189	\$ 50,231	\$ 1,641

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, 2017, 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, 2017

	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	\$ 1,230,845	\$ 1,340,118	\$ 410,966	\$ 1,220,576	\$ 93,230	\$ 193,093	\$ 4,500,129	\$ 1,026,856	\$ 95,299	\$ 273,316	\$ 148,100	\$ 70,672	\$ -	\$ 10,603,200
Fringe Benefits	334,424	359,276	95,852	330,413	26,004	50,212	1,246,082	283,820	23,392	72,023	39,300	24,518	-	2,883,316
Professional Fees	303,220	70,187	55,246	7,004	1,692	5,458	683,958	3,471	2,054	1,146	9,580	3,691	-	1,146,707
Supplies	103,682	10,928	27,019	12,077	91	1,390	84,774	10,042	3,129	19,809	9,065	1,811	-	283,817
Telephone	49,145	34,975	16,767	58,348	2,633	4,052	134,526	43,207	2,621	10,926	7,473	1,872	-	366,545
Postage and Freight	3,255	4,160	1,378	4,255	1,691	3,626	1,188	1,752	1,534	46	805	1,075	8	24,773
Equipment Rental & Maintenance	121,242	11,690	9,356	39,071	1,132	4,253	47,499	14,116	2,359	4,360	3,791	740	-	259,609
Printing & Publications	6,401	4,974	1,627	1,565	294	1,521	8,625	1,963	755	713	646	194	-	29,278
Travel, Training, Conferences	76,195	116,067	71,727	57,203	8,968	11,570	35,602	112,778	19,529	61,953	29,226	11,818	-	612,636
Insurance	5,670	32,037	14,064	33,173	2,296	4,653	399,131	48,998	3,602	6,410	5,447	-	-	555,481
Occupancy	134,900	89,710	38,711	473,999	5,161	11,450	152,868	123,250	6,291	20,167	18,375	7,617	-	1,082,499
Fuel & Maintenance	-	-	-	-	-	-	1,174,827	-	-	-	-	-	-	1,174,827
Grants & Allocations	-	2,800,225	4,691	371,140	-	-	-	-	2,168,966	-	-	491,603	-	5,836,625
Participant	-	1,884,794	229,761	536,941	990,263	2,669,641	-	7,419	-	-	42,496	245,988	23	6,607,326
Capital	-	78,218	24,480	-	-	-	-	-	-	-	-	-	-	-
Other	8,056	19,903	30,370	56,482	247	1,362	57,659	4,388	14,584	797	366	7,219	48	201,481
Indirect cost allocation	(2,369,422)	319,216	95,863	289,401	22,627	45,887	1,088,629	120,931	22,628	60,685	35,617	21,434	-	(246,504)
In-Kind	-	28,529	107,343	-	200,032	-	-	-	-	-	-	-	-	335,904
Total expenditures	7,613	7,205,007	1,233,221	3,491,648	1,356,361	3,008,168	9,615,497	1,802,991	2,366,743	532,351	350,287	890,252	79	31,757,520

	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
OTHER FINANCING SOURCES (USES)														
Transfers - match	206,648	820,189	(937,994)	-	-	-	(20,497)	50,231	-	(71,891)	-	1,641	-	48,327
Total other financing sources (uses)	206,648	820,189	(937,994)	-	-	-	(20,497)	50,231	-	(71,891)	-	1,641	-	48,327
Total expenditures	\$ 214,261	\$ 8,025,196	\$ 295,227	\$ 3,491,648	\$ 1,356,361	\$ 3,008,168	\$ 9,595,000	\$ 1,853,222	\$ 2,366,743	\$ 460,460	\$ 350,287	\$ 891,893	\$ 79	\$ 31,805,847

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, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS</u>				
Contributions from employees	\$ 17,177	\$ 2,018	\$ 6,840	\$ 12,355
Total assets	<u>\$ 17,177</u>	<u>\$ 2,018</u>	<u>\$ 6,840</u>	<u>\$ 12,355</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Employee volunteer/Assets held for others	<u>17,177</u>	<u>2,018</u>	<u>6,840</u>	<u>12,355</u>
Total liabilities	<u>\$ 17,177</u>	<u>\$ 2,018</u>	<u>\$ 6,840</u>	<u>\$ 12,355</u>

See accompanying notes to the financial statements.

East Tennessee Human Resource Agency, Inc.
Schedule of Grant Activity
For Year Ended June 30, 2017

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

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY17 PROJECT	Balance July 1, 2016	Cash Receipts	Transfers In	Expenditures	Transfers Out	Prints made to State	Balance June 30, 2017
93.044	37478	Aging Services - III-B	TN Commission on Aging	02716	166,489	851,870		(953,417)			64,941
93.044	37478	Aging Services - III-B	TN Commission on Aging	02716	(458,300)	271,454					(186,846)
93.045	37478	Aging Planning - III-C adm	TN Commission on Aging	02716	-	261,752		(259,898)			1,854
93.045	37478	Aging Planning - III-C adm	TN Commission on Aging	02716	(74,000)	21,267		(62,633)			(52,633)
93.045	37478	Aging Planning - III-C I Con	TN Commission on Aging	02716	56,029	612,900		(631,270)			37,659
93.045	37478	Aging Planning - III-C I Con	TN Commission on Aging	02716	(127,400)	41,266					(86,034)
93.045	37478	Aging Services - III-C 2HD Nutrition Services	TN Commission on Aging	02716	39,254	1,245,690		(1,345,690)			39,254
93.045	37478	Aging Services - III-C 2HD Nutrition Services	TN Commission on Aging	02716	(232,200)	815					(231,385)
93.043	37478	Aging Services - III-D In-home Services PH	TN Commission on Aging	02716	23,651	73,300		(76,925)			20,026
93.052	37478	Aging Services - III-D In-home Services PH	TN Commission on Aging	02716	(26,500)	22,018					(4,482)
93.052	37478	Aging Services - III-E adm	TN Commission on Aging	02716	-	54,600		(54,600)			-
93.052	37478	Aging Services - III-E Caregiver	TN Commission on Aging	02716	48,624	485,700		(524,324)			10,889
93.041	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	02716	(114,600)	33,253					(81,347)
93.041	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	02716	18,444	13,700		(31,224)			-
93.042	37478	Aging Services - III-A Title VII EA	TN Commission on Aging	02716	(12,000)	5,547		(57,900)			(2,453)
93.053	37478	Aging Services - III-A Title VII	TN Commission on Aging	02716	-	97,500		(94,500)			3,000
93.053	37478	Aging Services - III-A Title VII	TN Commission on Aging	02716	(58,100)	384,500		(384,500)			(70,200)
93.053	37478	Aging Services - III-E Month	TN Commission on Aging	02716	-	85,000		(85,000)			-
93.053	37478	Aging Services - III-E Month	TN Commission on Aging	02716	-	332,900		(332,900)			-
93.053	37478	Senior Centers	TN Commission on Aging	02716	(57,500)	2,177		(119,700)			(1,843)
93.053	37478	Senior Centers	TN Commission on Aging	02716	-	119,700					119,700
93.053	37478	State Nutrition	TN Commission on Aging	02716	(19,600)	(2,243)					(21,843)
93.053	37478	State Nutrition	TN Commission on Aging	02716	-	63,800		(63,800)			-
93.053	37478	State Homemaker	TN Commission on Aging	02716	(7,400)	(3,049)					(10,449)
93.053	37478	State Homemaker	TN Commission on Aging	02716	-	106,100		(106,100)			-
93.053	37478	State Guardianship	TN Commission on Aging	02716	(26,423)	26,423					-
93.053	37478	State Guardianship	TN Commission on Aging	02716	-	1,734,198		(1,734,200)			(2)
93.053	37478	State Aging - Options	TN Commission on Aging	02716	(429,363)	218,909					(210,454)
93.053	37478	State Aging - Options	TN Commission on Aging	02716	(14,900)	(862)					(15,762)
93.053	37478	State Caregiver	TN Commission on Aging	02716	-	562		(562)			-
93.053	37478	State Caregiver	TN Commission on Aging	02716	(106,202)	800,324	(21,600)				(257,116)
93.053	37478	State Caregiver	TN Commission on Aging	02716	(15,945)			(928,938)	15,945		(928,938)
93.053	37478	State Caregiver	TN Commission on Aging	02705	3						3
93.053	37478	State Caregiver	TN Commission on Aging	02705	(26,340)	127,601		(119,718)			(8,457)
93.053	37478	State Caregiver	TN Commission on Aging	02557	(5,105)	88,159		(113,500)			(30,466)
93.053	37478	State Caregiver	TN Commission on Aging	02657	-	9,344		(29,259)			(19,915)
93.053	37478	State Caregiver	TN Commission on Aging	02998	-	69,701		(69,701)			-
93.053	37478	State Caregiver	TN Commission on Aging	02758	-	10,000		(10,000)			-
93.053	37478	State Caregiver	TN Commission on Aging	02817	-	22,000		(22,000)			-
93.053	37478	State Caregiver	TN Commission on Aging	02786	(95,096)	194,696		(127,710)			(28,110)
93.053	37478	State Caregiver	TN Commission on Aging	02782	(54,877)	86,659		(80,754)			(8,973)
93.053	37478	State Caregiver	TN Commission on Aging	02788	(3,121)	12,041		(10,321)			(1,401)
93.053	37478	State Caregiver	TN Commission on Aging	02789	(20,673)	-		(11,661)			(32,334)
93.053	37478	State Caregiver	TN Commission on Aging	02790	(6,027)	19,155		(39,273)			(26,145)
93.053	37478	State Caregiver	TN Commission on Aging	02791	(262)	3,135		(443)			2,429
93.053	37478	State Caregiver	TN Commission on Aging	02908	(448,331)	652,564		(732,171)		(3,801)	(531,739)
93.053	37478	State Caregiver	TN Commission on Aging	02909	(21,681)	123,536		(128,751)			(26,895)
93.053	37478	State Caregiver	TN Commission on Aging	02810	(38,396)	345,618		(367,393)		(3,140)	(63,910)
93.053	37478	State Caregiver	TN Commission on Aging	02941	-	1,137,496		(1,266,936)			(129,440)
93.053	37478	State Caregiver	TN Commission on Aging	02759	(6,434)	34,571		(33,553)			(6,416)
93.053	37478	State Caregiver	TN Commission on Aging	02397	(69,778)	1,511,181		(1,656,242)			(195,059)

East Tennessee Human Resource Agency, Inc.
Schedule of Grant Activity
For Year Ended June 30, 2017

CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY17 PROJECT	Balance July 1, 2016	Cash Receipts	Transfers In	Expenditures	Transfers Out	Payments made to State	Balance June 30, 2017
					(21,408)	159,880		(146,712)			(6,240)
					(57,826)	326,819		(313,856)			(44,832)
97.024	26-7640-00	FES - Campbell	Federal Emergency Management Agency	02533	-	970		(970)			-
97.024	26-7754-00	FES - Claiborne	Federal Emergency Management Agency	02534	-	2,035		(2,035)			-
97.024	26-7754-00	FES - Morgan	Federal Emergency Management Agency	02533	-	5,594		(5,594)			-
97.667	Z-17-49301-00	HomeMaker - Adult Protective Services	TN Department of Human Services	02773	(93,756)	444,197		(433,575)			(63,133)
14.871	A-3858	Housing Assistance Payments Program	US Dept. of Housing & Urban Development	02761, 02762	-	3,781,625		(3,781,625)			-
14.871	TN 1311881617A014	FES Housing	US Dept. of Housing & Urban Development	02763	-	34,750		(34,750)			-
83.568	LHEAP	Low-Income Energy Assistance Program	THDA	02764-02772	(146,323)	1,903,175		(1,870,847)			(113,929)
81.042	WAP	Weatherization Assistance	THDA	02834-02804	-	851,555		(1,186,923)			(335,368)
14.241	GG 12-36126-03	HOPWA	TN Department of Health	02621	(68,739)	48,738		-			-
93.917	GR 15-4686-00	Provision of HIV Contraceptive Services	TN Department of Health	02706	(131,251)	918,474		(787,223)			(113,929)
93.940	GG 13-34150-00	Provision of HIV Prevention Services (RAC)	TN Department of Health	02822	(32,122)	128,467		(96,130)		(215)	0
20.500	GG-16-80264-00	Section 5309 Capital (\$413K)	TN Department of Transportation	02885	(12,066)	341,852		(329,766)			-
20.500	GG-16-8271-00	Section 5309 Capital (\$112K)	TN Department of Transportation	02885	-	22,585		(22,585)			-
20.516	GG-14-40136-00	Job Access FY12 SRNAK	TN Department of Transportation	02800	(27,237)	100,905		(98,975)			(23,306)
20.509	Z-16-R10004-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		(1,315,410)	1,315,410		-			-
20.509	Z-16-R30015-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		(187,950)	187,950		-			-
20.509	Z-17-R70004-00	Section 5311 Rural Transportation - Federal	TN Department of Transportation		-	3,576,153		(4,709,084)			(1,132,931)
20.509	GG-17-53293-00	New Freedom 5317 (capital, mobility, mnt)	TN Department of Transportation	02708	(5,594)	18,531		(141,475)			(141,475)
20.521	Z-12-NR001-00	New Freedom 5317 (capital, mobility, mnt)	TN Department of Transportation		-	18,531		(12,237)			-
20.509	GG-14-40158-00	TEIS	TN Department of Transportation	02708	-	1,635		(9,174)			(7,539)
20.507	GG-16-50769-00	BOPP	TN Department of Transportation	02785	(4,696)	27,863		(24,950)			(1,694)
20.507	TN-90-X374-00	5307 Urban Operating Assistance UZA-Knoxville	TN Department of Transportation	02829	(388)	428		(40)			-
20.507	TN-90-X374-00	5307 Urban Operating Assistance UZA-Memphis	FTA		(500,000)	-		-			(500,000)
20.507	Z-15-UR0P-11-00	FY15 UR0P State Operating Assistance	FTA		(329,000)	239,996		(288,382)			(68,386)
20.507	Z-17-UR0P11-00	FY17 UR0P State Operating Assistance	FTA		-	329,000		-			-
17.258	GG-17-55080-00	FY15 Operating Assistance	TN Department of Transportation		-	-		(186,128)			(186,128)
17.258	GG-17-55083-00	FY16 Operating Assistance	TN Department of Transportation		-	-		(172,667)			(172,667)
17.259	MP5310B2a-001	Section 5310 Urban Transportation	Knox County Metropolitan Planning Commission		-	106,541		(168,307)			(61,766)
10.568	45995	Temporary Emergency Food Assistance Program	Tennessee Department of Agriculture	02811	(11,335)	27,230		(11,423)			(4,882)
17.235	LW76161NCSNP15	Title V - SCSNP	TN Department of Labor and Workforce Development	02764-02765	(93,311)	339,150		(93,801)			(60,762)
17.235	312	SSAI Senior Employment	Senior Service America, Inc	02766-02767	(100,995)	808,705		(823,528)			(115,818)
84.002A	LWN12F14AEND15	Workforce Investment Act	TN Department of Labor and Workforce Development	02836	(94,683)	94,683		(73)			(9)
84.002A	LWN12F14AEND15	Workforce Investment Act	TN Department of Labor and Workforce Development	02839	(18,570)	18,570		-			0
17.278	LW04F15IDSLWK15	Workforce Investment Act	TN Department of Labor and Workforce Development	02904-02905	(12,567)	12,567		-			0
17.259	LW04F15YOUTH15	Workforce Investment Act	TN Department of Labor and Workforce Development	02911-02912	-	-		1,074		(1,074)	-
17.259	LW04F15YOUTH16	Workforce Investment Act	TN Department of Labor and Workforce Development	02913-02915	(59,318)	502,818		(443,500)			(60)
17.225	LW04F15BESEA16	Workforce Investment Act	TN Department of Labor and Workforce Development	02927, 02943	(9,377)	19,746		(13,735)			(2,360)
17.278	LW04F15IDSLWK16	Workforce Investment Act	TN Department of Labor and Workforce Development	02940	(39,809)	56,141		(16,341)			-
17.278	LW04F15NCSWA16	Workforce Investment Act	TN Department of Labor and Workforce Development	02940	(27,287)	27,287		-			-
17.278	LW04F16ADULT16	Workforce Investment Act	TN Department of Labor and Workforce Development	02946-02947	(151,244)	605,850		(454,606)			-
17.278	LW04F16DLSLWK16	Workforce Investment Act	TN Department of Labor and Workforce Development	02948-02949	(35,477)	473,328		(439,850)			-
17.278	LW04F14ITRSP14	Workforce Investment Act	TN Department of Labor and Workforce Development	02954	(50,874)	50,874		-			-
17.278	LW04F16TWSWA16	Workforce Investment Act	TN Department of Labor and Workforce Development	02951	-	62,306		(62,306)			-
17.278	LW04F16QSNAP16	Workforce Investment Act	TN Department of Labor and Workforce Development	02955	-	17,742		-			-
17.259	LW04F16YOUTH17	Workforce Investment Act	TN Department of Labor and Workforce Development	02960	-	6,665		(12,168)			(5,503)
17.259	LW04F16YOUTH17	Workforce Investment Act	TN Department of Labor and Workforce Development	02961	-	2,441		(253,470)			(251,029)

East Tennessee Human Resource Agency, Inc.												
Schedule of Grant Activity												
For Year Ended June 30, 2017												
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE												
CFDA #	GRANT #	PROGRAM NAME	GRANTOR	FY17 PROJECT	Balance July 1, 2016	Cash Receipts	Transfers In	Expenditures	Transfers Out	Profits made to State	Balance June 30, 2017	
17 259	LW04F161YOUTH17	Workforce Investment Act	TN Department of Labor and Workforce Development	02962	-	11,835	-	(29,487)	-	-	(17,652)	1
10 561	LW04F161OSNA17	Workforce Investment Act	TN Department of Labor and Workforce Development	02971	-	734	(734)	-	-	-	-	1
17 258	LW04F161NCSWA16	Workforce Investment Act	TN Department of Labor and Workforce Development	02976	-	12,528	-	(12,529)	-	(199)	-	1
17 258	LW04F161ADLUL17	Workforce Investment Act	TN Department of Labor and Workforce Development	02978	-	148,483	-	(149,229)	-	(746)	(746)	1
17 258	LW04F161ADLUL17	Workforce Investment Act	TN Department of Labor and Workforce Development	02979	-	11,056	-	(16,580)	-	-	(5,524)	1
17 278	LW04F161DSLWK17	Workforce Investment Act	TN Department of Labor and Workforce Development	02980	-	151,713	-	(151,713)	-	(6)	(6)	1
17 278	LW04F161DSLWK16	Workforce Investment Act	TN Department of Labor and Workforce Development	02981	-	15,052	-	(16,856)	-	-	(1,804)	1
17 258	LW04F171ADLUL17	Workforce Investment Act	TN Department of Labor and Workforce Development	02983	-	271,837	-	(376,086)	-	-	(104,249)	1
17 258	LW04F171ADLUL17	Workforce Investment Act	TN Department of Labor and Workforce Development	02984	-	115,848	-	(174,986)	-	-	(259,137)	1
17 258	LW04F171DSLWK17	Workforce Investment Act	TN Department of Labor and Workforce Development	02985	-	-	-	(20,057)	-	-	(20,057)	1
17 278	LW04F171DSLWK17	Workforce Investment Act	TN Department of Labor and Workforce Development	02986	-	66,142	-	(303,418)	-	-	(237,275)	1
17 278	LW04F1521WSRP15	Workforce Investment Act	TN Department of Labor and Workforce Development	03006	-	-	-	(32,405)	-	(911)	(32,405)	1
17 278	LW04F1521MNSWA15	Workforce Investment Act	TN Department of Labor and Workforce Development	03009	-	-	-	(24,601)	-	-	(24,601)	1
			Totals		\$ (5,856,493)	31,169,114	(21,600)	(31,716,682)	15,945	(8,102)	(6,419,775)	-
			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, 2017

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

	<u>GRANT #</u> <u>83265-54385</u>	<u>GRANT #</u> <u>83265-62665</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 7/1/2016</u>	\$ <u>129,976</u>	\$ <u>-</u>	\$ <u>129,976</u>
<u>Receipts</u>	\$ <u>62,619</u>	\$ <u>215,127</u>	\$ <u>277,746</u>
<u>Change in USDA Rate (2)</u>	\$ <u>3,787</u>	\$ <u>(2,670)</u>	\$ <u>1,117</u>
<u>Other Additions (3)</u>	\$ <u>-</u>	\$ <u>2,483</u>	\$ <u>2,483</u>
<u>Commodities Distributed</u>	\$ <u>52,595</u>	\$ <u>179,621</u>	\$ <u>232,216</u>
<u>Other Deductions (4)</u>	\$ <u>14</u>	\$ <u>14,194</u>	\$ <u>14,208</u>
<u>Balance 6/30/2017</u>	\$ <u>143,772</u>	\$ <u>21,126</u>	\$ <u>164,897</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 6/30/2017.

(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, 2017

Federal/Pass-through Agency/Program Title	CFDA Number	
U. S. Department of Agriculture:		
Passed through Tennessee Department of Agriculture:		
Supplemental Nutrition Assistance Program	10.561	\$ 46,500
Emergency Food Assistance Program (Administration)	10.568	26,021
Passed through Tennessee Department of Human Services:		
Child and Adult Care Food Program	10.558	1,763,069
Summer Food Service Program for Children	10.559	732,171
		<u>2,567,761</u>
U.S. Department of Housing and Urban Development:		
Section 8 Rental Voucher Program	14.871	3,816,375
		<u>3,816,375</u>
U.S. Department of Labor:		
Senior Community Service Employment-SSA1	17.235	823,528
Passed through Tennessee Commission on Aging:		
Passed through Tennessee Department of Labor and Workforce Development		
Employment Service	17.207	112,736
Unemployment Insurance	17.225	15,735
Career Centers-Pass Thru	17.235	39,273
Senior Community Service Employment-State	17.235	332,801
Workforce Investment Act Adult Program	17.258	1,331,204
Workforce Investment Act Youth Activities	17.259	743,100
Workforce Investment Act Dislocated Worker Formula	17.278	1,121,388
		<u>4,519,765</u>
U.S. Department of Transportation:		
Passed through Tennessee Department of Transportation:		
Federal Transit_Capital Investment Grants	20.500	352,351
Federal Transit_Formula Grants	20.507	258,582
Formula Grants for Other Than Urbanized Areas	20.509	4,859,733
Job Access_Reverse Commute	20.516	98,975
New Freedom	20.521	12,937
		<u>5,582,578</u>
U.S. Department of Energy:		
Passed through Tennessee Housing Development Agency:		
Weatherization Assistance for Low-income Persons	81.042	1,186,923
Low Income Heating and Energy Assistance Program	93.568	1,870,847
		<u>3,057,770</u>
U.S. Department of Education Office of Vocational and Adult Education		
Passed through Tennessee Department of Labor and Workforce Development		
Career Centers - Adult Education	84.002	127,710
Adult Education	84.002A	-73
		<u>127,637</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	8,599
		<u>8,599</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2017

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	31,224
Special Programs for the Aging, Title VII, Chapter 2	93.042	57,900
Special Programs for the Aging, Title III, Part D	93.043	76,925
Special Programs for the Aging, Title III, Part B	93.044	953,417
Special Programs for the Aging, Title III, Part C	93.045	2,236,858
National Caregiver Support, Title III, Part E	93.052	578,034
Nutritional Services Incentive Program	93.053	384,500
		<u>4,318,858</u>
Passed through Tennessee Department of Human Services:		
Community Services Block Grant	93.569	313,826
Social Services Block Grant	93.667	433,575
		<u>747,401</u>
Passed through Tennessee Department of Health:		
HIV Care Formula Grants - Consortia Services	93.917	787,223
HIV Prevention Activities	93.940	96,130
		<u>883,353</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	119,718
PPACA / MIPPA	93.071	113,500
		<u>233,218</u>
Passed through TennCare		
Medical Assistance Program	93.778	928,938
		<u>928,938</u>
Total Federal		<u>26,792,253</u>
State and Local Grants:		
Child Protective Services	N/A	33,553
Community Corrections	N/A	1,636,242
Community Intervention Services	N/A	146,712
Senior Centers	N/A	232,900
State Guardianship	N/A	106,100
State Homemaker	N/A	63,800
State Nutrition	N/A	119,700
State Aging - Options	N/A	1,734,200
Aging Services -III-E Match	N/A	85,000
VDHCS	N/A	562
Transportation BOPP	N/A	24,950
Transportation TEIS	N/A	40
Transportation UROP	N/A	186,128
Transportation CRIT	N/A	340,974
Transportation MPC	N/A	111,423
Career Centers - TDVA	N/A	443
Community Foundation Grant	N/A	69,701
Senior Center Award	N/A	10,000
LaFollette Medical Foundation	N/A	22,000
Total State and Local		<u>4,924,428</u>

East Tennessee Human Resource Agency, Inc.
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2017

<u>Federal/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>
CFDA = Catalog of Federal Domestic Assistance	<u>\$ 31,716,681</u>
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, 2017

	HUD HCV
<u>ASSETS</u>	
111 Cash - unrestricted	\$ 273,601
113 Cash - other restricted	102,384
	375,985
100 Total cash	
121 Accounts receivable - PHA projects	-
128 Fraud recovery	11,513
128.1 Allowance for doubtful accounts - fraud	(11,513)
	0
120 Total receivables, net of allowance for doubtful accounts	
150 Total current assets	375,985
164 Furniture, equipment & machinery - administration	56,650
166 Accumulated depreciation	(56,650)
160 Total capital assets, net of accumulated depreciation	0
180 Total non-current assets	0
290 Total assets	\$ 375,985
<u>LIABILITIES</u>	
312 Accounts payable <= 90 days	\$ 319
322 Accrued compensated absences - current portion	-
346 Accrued liabilities - other	-
310 Total current liabilities	319
353 Non-current liabilities - other	40,773
350 Total non-current liabilities	40,773
300 Total liabilities	41,092
<u>NET POSITION</u>	
508.4 Net investment in capital assets	-
511.4 Restricted net position	62,057
512.4 Unrestricted net position	272,836
513 Total equity - net assets/position	334,893
600 Total liabilities and equity - net assets/position	\$ 375,985
Line 113 Details:	
113-020 FSS escrow deposits	\$ 40,773
113-030 All other funds	61,611
	\$ 102,384

East Tennessee Human Resource Agency, Inc.
HUD Housing Choice Voucher Program Financial Data Schedule
For the Year Ended June 30, 2017

	HUD HCV
<u>REVENUES</u>	
70600 HUD PHA operating grants	\$ 3,816,375
71400 Fraud recovery	1,360
71500 Other revenue	22,159
70000 Total operating revenues	3,839,894
<u>EXPENSES</u>	
Administrative:	
91100 Administrative salaries	172,488
91200 Auditing fees	5,518
91400 Advertising and marketing	49
91500 Employee benefit contributions - administrative	45,870
91600 Office expenses	60,194
91800 Travel	17,761
91810 Allocated overhead	46,996
91000 Total operating - administrative	348,876
Tenant:	
92100 Tenant services - salaries	27,149
92300 Employee benefit contributions - tenant services	7,601
92500 Total tenant services	34,750
Insurance premiums:	
96120 Liability insurance	7,319
96100 Total insurance premiums	7,319
96900 Total operating expenses	390,945
97000 Excess of operating revenue over operating expenses	3,448,949
97300 Housing assistance payments	3,363,341
97350 HAP portability-in	10,758
97400 Depreciation expense	-
90000 Total expenses	3,765,044
10000 Excess (deficiency) of total revenue over (under) total expenses	\$ 74,850

**East Tennessee Human Resource Agency, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2017**

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>
10.558	Child and Adult Care Food Program
14.871	Section 8 Rental Voucher Program
17.258	Workforce Investment Act Adult Program
17.278	Workforce Investment Act Dislocated Worker
20.509	Federal Grants for Other Than Urbanized Areas
81.042	Weatherization Assistance for Low-Income
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

Threshold for major federal program	\$951,500
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East Tennessee Human Resource Agency, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated December 29, 2017.

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.

Craine Thompson & Jones, P.C.

Morristown, Tennessee
December 29, 2017

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, 2017. 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, 2017.

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 29, 2017