

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Financial Statements
and Supplementary Information

Year Ended June 30, 2023

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Financial Statements
and Supplementary Information
Year Ended June 30, 2023

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INTRODUCTORY SECTION (UNAUDITED)

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Gary Holiway, Executive Director
Board of Directors and Policy Council
Year Ended June 30, 2023

Anderson County

County Mayor Terry Frank

Blount County

County Mayor Ed Mitchell

Campbell County

County Mayor E.L. Morton
County Mayor Jack Lynch

Claiborne County

County Mayor Joe Brooks, Chair

Cocke County

County Mayor Crystal Ottinger
County Mayor Rob Mathis

Grainger County

County Mayor Mike Byrd

Hamblen County

County Mayor Bill Brittain

Jefferson County

County Mayor Mark Potts

Knox County

County Mayor Glenn Jacobs,
Treasurer

Loudon County

County Mayor Buddy Bradshaw

Monroe County

County Mayor Mitch Ingram

Morgan County

County Executive Brian Langley,
Secretary

Roane County

County Executive Ron Woody
County Executive Wade Creswell

Scott County

County Mayor Jeff Tibbals,
County Mayor Jerried Jeffers

Sevier County

County Mayor Larry Waters

Union County

County Mayor Jason Bailey

City Mayors

City of Farragut Mayor, Ron
Williams, Vice Chair

City of Newport Mayor Trey
Dykes

City of Oliver Springs Mayor
Omar Cox

City of Cumberland Gap Mayor
Neal Pucciarelli

General Assembly

Senator Richard Briggs
Representative Elaine Davis

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of ETHRA as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ETHRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ETHRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ETHRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ETHRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management, and 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ETHRA's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state grants is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

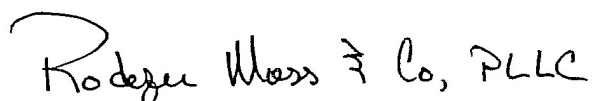
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023, on our consideration of ETHRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ETHRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ETHRA's internal control over financial reporting and compliance.



Knoxville, Tennessee
January 18, 2024

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis
Year Ended June 30, 2023

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, 2023. 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 Position
 - ii. Statement of Revenues, Expenditures, and Changes in Net Position
 - iii. Statement of Cash Flows
4. Fiduciary Fund financial statements
 - i. Statement of Net Position
 - ii. Statement of Changes in Net Position

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

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

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

The General Fund includes ETHRA administration and unrestricted resource management.

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

The Proprietary Fund financial statements present all business-like activities. ETHRA operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, 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 the year ended June 30, 2023.

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

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

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

Analysis of Financial Position

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease)</u>
Assets			
Cash and cash equivalents and investments	\$ 9,062,878	\$ 8,484,974	\$ 577,904
Capital assets (net of accumulated depreciation)	3,167,214	4,180,257	(1,013,043)
Right of use leased assets, net of amortization	1,478,335	1,742,513	(264,178)
Receivables from grantors, contractors, and others	12,176,786	10,016,076	2,160,710
Prepaid expenses and deposits	<u>177,573</u>	<u>199,947</u>	<u>(22,374)</u>
Total Assets	<u>26,062,786</u>	<u>24,623,767</u>	<u>1,439,019</u>
Liabilities			
Accounts payable	4,650,671	3,073,793	1,576,878
Accrued expenses	5,531,250	5,243,122	288,128
Lease liability	<u>1,521,900</u>	<u>1,792,013</u>	<u>(270,113)</u>
Total Liabilities	<u>11,703,821</u>	<u>10,108,928</u>	<u>1,594,893</u>
Net Position			
Investment in capital assets	3,123,649	4,180,257	(1,056,608)
Restricted net position	6,454,207	8,390,763	(1,936,556)
Unrestricted net position	<u>4,781,109</u>	<u>1,943,819</u>	<u>2,837,290</u>
Total Net Position	<u>\$ 14,358,965</u>	<u>\$ 14,514,839</u>	<u>\$ (155,874)</u>

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

Analysis of Financial Position - (Continued)

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease)</u>
Revenues			
Operating grants and contributions	\$ 45,399,278	\$ 46,487,130	\$ (1,087,852)
Charges for services	4,321,211	4,318,983	2,228
Assessment to local governments	268,990	260,190	8,800
Total Revenues	<u>49,989,479</u>	<u>51,066,303</u>	<u>(1,076,824)</u>
Expenses			
General government	(371,198)	(348,640)	(22,558)
Aging	11,407,164	10,502,070	905,094
ETHRA aging	1,113,514	1,072,646	40,868
Transportation	12,107,718	11,542,500	565,218
Workforce development	7,689,112	8,769,367	(1,080,255)
Housing and restoration	5,011,695	4,437,124	574,571
Title V	985,700	1,006,652	(20,952)
Corrections and probation	1,059,380	1,840,673	(781,293)
Child and family assistance	4,403,409	3,841,858	561,551
Homemaker	446,092	465,027	(18,935)
Mountain Valley	571,764	719,955	(148,191)
Loan	1,884	348	1,536
Misdemeanor	1,222,213	1,176,764	45,449
Transportation Enterprise	163,570	132,708	30,862
HUD Housing Choice Voucher	4,333,336	3,993,667	339,669
Total Expenses	<u>50,145,353</u>	<u>49,152,719</u>	<u>992,634</u>
Change in Net Position	<u>\$ (155,874)</u>	<u>\$ 1,913,584</u>	<u>\$ (2,069,458)</u>

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 2023, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Program Highlights

ETHRA had a decrease in net position of \$155,874 and a total net position of \$14,358,965. Overall, during FY23, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget.

The Lakeway Transit System located in Morristown, Tennessee, in conjunction with the Lakeway Area Metropolitan Transportation Planning Organization (LAMTPO) and the East Tennessee Human Resource Agency (ETHRA), have propose to construct a comprehensive transit facility for passenger boarding and transferring, as well as to house various transit-related functions, including dispatch, administration, training, passenger waiting areas, secure vehicle storage, bus maintenance bays, and equipment storage areas. The facility will allow the opportunity for expansion as service needs grow and financial capabilities warrant. In April 2023, LAMPTO and ETHRA contracted with WSP USA to undertake a transit facility needs assessment study. This study is scheduled to be completed in December 2023.

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

ETHRA received a couple of new grants from TCAD. One is OPTIONS 2.0 which provide the same services as the Options grant but also includes additional services such as transportation and home repairs. The other grant is Alzheimer's and dementia respite care pilot program.

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

Economic Factors and Next Fiscal Year

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

Contact Information

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

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,246,387	\$ 792,536	\$ 9,038,923
Investments	23,955	-	23,955
Receivables, net of allowance for uncollectible accounts	11,755,796	25,235	11,781,031
Loans receivable	395,755	-	395,755
Deposits	11,344	900	12,244
Prepaid expenditures	165,329	-	165,329
Right of use leased assets, net of amortization	1,335,611	142,724	1,478,335
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	560,652	-	560,652
Furniture and equipment	73,470	-	73,470
Vehicles	2,479,586	20,892	2,500,478
Total capital assets, net	<u>3,146,322</u>	<u>20,892</u>	<u>3,167,214</u>
Total assets	<u>\$ 25,080,499</u>	<u>\$ 982,287</u>	<u>\$ 26,062,786</u>
Liabilities			
Accounts payable	\$ 4,632,386	\$ 18,285	\$ 4,650,671
Accrued expenses	5,531,138	112	5,531,250
Lease liability	1,378,064	143,836	1,521,900
Total liabilities	<u>11,541,588</u>	<u>162,233</u>	<u>11,703,821</u>
Net Position			
Investment in capital assets	3,103,869	19,780	3,123,649
Restricted for:			
THDA - House Loan	1,206,814	-	1,206,814
MVEOA	194,536	-	194,536
East Tennessee Foundation Investment	23,955	-	23,955
Human Resource Services	5,028,902	-	5,028,902
Unrestricted	3,980,835	800,274	4,781,109
Total net position	<u>\$ 13,538,911</u>	<u>\$ 820,054</u>	<u>\$ 14,358,965</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
	Direct	Indirect	Charges for Services	Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General government	\$ 2,324,088	\$ (2,695,286)	\$ -	\$ (364,766)	\$ 6,432	\$ -	\$ 6,432
Aging	10,918,764	488,400	94,655	12,327,246	1,014,737	-	1,014,737
ETHRA Aging	1,015,083	98,431	35,630	116,074	(961,810)	-	(961,810)
Transportation	10,704,374	1,403,344	2,271,052	8,980,250	(856,416)	-	(856,416)
Workforce development	7,552,277	136,835	485,814	7,290,324	87,026	-	87,026
Housing and restoration	4,927,063	84,632	-	5,047,100	35,405	-	35,405
Title V	970,129	15,571	-	985,762	62	-	62
Corrections and probation	957,992	101,388	1,412	1,049,538	(8,430)	-	(8,430)
Child and Family Assistance	4,358,601	44,808	-	4,588,756	185,347	-	185,347
Homemaker	398,655	47,437	-	457,955	11,863	-	11,863
Mountain Valley	525,016	46,748	-	552,541	(19,223)	-	(19,223)
Loan	1,884	-	-	10,471	8,587	-	8,587
Total governmental activities	44,653,926	(227,692)	2,888,563	41,041,251	(496,420)	-	(496,420)
Business-type activities							
Misdemeanor	1,073,224	148,989	1,194,983	-	-	(27,230)	(27,230)
Transportation Enterprise	141,063	22,507	224,113	-	-	60,543	60,543
HUD Housing Choice Voucher	4,277,140	56,196	13,552	4,358,027	-	38,243	38,243
Total business-type activities	5,491,427	227,692	1,432,648	4,358,027	-	71,556	71,556
Total primary government	\$ 50,145,353	\$ -	\$ 4,321,211	\$ 45,399,278	(496,420)	71,556	(424,864)
General revenues							
Assessment to local governments					268,990	-	268,990
Transfers					-	-	-
Total general revenues					268,990	-	268,990
Change in net position					(227,430)	71,556	(155,874)
Net position - beginning					13,766,341	748,498	14,514,839
Net position - ending					\$ 13,538,911	\$ 820,054	\$ 14,358,965

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Balance Sheet
 Governmental Funds
 June 30, 2023

	General	Human Resource Service	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,832,296	\$ 14,176	\$ 1,846,472
Investments	23,955	-	23,955
Grant and contract receivables, net of allowance for uncollectibl	-	11,755,796	11,755,796
Loans receivable	-	395,755	395,755
Deposits	5,744	5,600	11,344
Prepaid expenditures	3,187	12,734	15,921
Total assets	<u>\$ 1,865,182</u>	<u>\$ 12,184,061</u>	<u>\$ 14,049,243</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 181,994	\$ 4,585,402	\$ 4,767,396
Accrued expenses	45,673	(28,932)	16,741
Total liabilities	<u>227,667</u>	<u>4,556,470</u>	<u>4,784,137</u>
Fund balances			
Nonspendable	8,931	-	8,931
Restricted	23,955	7,627,591	7,651,546
Unassigned	1,604,629	-	1,604,629
Total fund balances	<u>1,637,515</u>	<u>7,627,591</u>	<u>9,265,106</u>
Total liabilities and fund balances	<u>\$ 1,865,182</u>	<u>\$ 12,184,061</u>	<u>\$ 14,049,243</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,053,949. \$ 3,146,322

Right of use leased assets, net of accumulated amortization used in governmental activities are not financial resources and therefore are not reported in funds. 1,335,611

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. (1,378,064)

The Internal Service Fund is used by management to charge major equipment purchases and fringe benefits for all ETHRA employees. The assets and liabilities of the Internal Service fund are included in Governmental Activities in the Government-Wide Statement of Net Position. 1,169,936

Net position of governmental activities \$ 13,538,911

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2023

	General	Human Resource Service	Total Governmental Funds
Revenues			
Grantor contributions	\$ -	\$ 40,828,971	\$ 40,828,971
Program income	-	2,697,981	2,697,981
USDA	-	362,200	362,200
Assessments to local governments	268,990	41,050	310,040
In-kind contributions	-	186,987	186,987
Other income	3,157	166,902	170,059
Interest income	-	10,489	10,489
Total revenues	<u>272,147</u>	<u>44,294,580</u>	<u>44,566,727</u>
Expenditures			
Current			
General government	70,931	-	70,931
Aging	-	11,295,677	11,295,677
ETHRA Aging	-	1,086,716	1,086,716
Workforce Development	-	7,528,979	7,528,979
Title V	-	980,290	980,290
Housing and restoration	-	4,991,243	4,991,243
Transportation Call Center	-	10,947,272	10,947,272
Community Corrections	-	1,034,680	1,034,680
Child Care Food	-	4,391,780	4,391,780
Homemaker	-	432,566	432,566
Mountain Valley	-	535,586	535,586
Loan Program	-	1,884	1,884
Capital outlay	-	392,925	392,925
Debt service			
Lease principal	30,565	481,418	511,983
Lease interest	6,644	60,660	67,304
Total expenditures	<u>108,140</u>	<u>44,161,676</u>	<u>44,269,816</u>
Excess of revenues over expenditures	<u>164,007</u>	<u>132,904</u>	<u>296,911</u>
Other Financing (Uses) Sources			
Lease liabilities issued	-	392,925	392,925
Transfers in - match	(62,461)	(50,225)	(112,686)
Total other financing sources, net	<u>(62,461)</u>	<u>342,700</u>	<u>280,239</u>
Net change in fund balances	<u>101,546</u>	<u>475,604</u>	<u>577,150</u>
Fund balances at beginning of year	<u>1,535,969</u>	<u>7,151,987</u>	<u>8,687,956</u>
Fund balances at end of year	<u>\$ 1,637,515</u>	<u>\$ 7,627,591</u>	<u>\$ 9,265,106</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balance of
 Governmental Funds to the Statement of Activities
 Year Ended June 30, 2023

Net change in fund balances - total governmental funds \$ 577,150

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

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

Depreciation expense	(1,117,282)
Capital asset purchases capitalized	18,742
Changes in net position of internal service funds	245,042

The issuance of lease obligations provides current financial resources to governmental funds, while the repayment of the principal of lease obligations consumes the current financial resources of governmental funds.

Neither, however, has any effect on net position	48,918
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Change in net position of governmental activities	<u>\$ (227,430)</u>
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EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

Proprietary Funds

June 30, 2023

			Transport-		Governmental
			ation		Activities
	Misdemeanor	HUD HCV	Enterprise	Total	Internal
					Service Funds
Assets					
Current Assets					
Cash and cash equivalents	\$ 86,681	\$ 368,052	\$ 337,803	\$ 792,536	\$ 6,399,915
Accounts receivable	-	-	25,235	25,235	-
Prepaid expenditures and deposits	900	-	-	900	149,408
Total current assets	<u>87,581</u>	<u>368,052</u>	<u>363,038</u>	<u>818,671</u>	<u>6,549,323</u>
Noncurrent Assets					
Right of use leased assets, net	120,975	21,445	304	142,724	-
Capital assets, net	-	20,892	-	20,892	1,047,753
Total noncurrent assets	<u>120,975</u>	<u>42,337</u>	<u>304</u>	<u>163,616</u>	<u>1,047,753</u>
Total assets	<u>\$ 208,556</u>	<u>\$ 410,389</u>	<u>\$ 363,342</u>	<u>\$ 982,287</u>	<u>\$ 7,597,076</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ (759)	\$ 19,030	\$ 14	\$ 18,285	\$ (135,010)
Accrued expenses	-	112	-	112	5,514,397
Lease liability, due within one year	34,457	20,379	100	54,936	-
Total current liabilities	33,698	39,521	114	73,333	5,379,387
Lease liability, due after one year	86,702	1,988	210	88,900	-
Total liabilities	<u>120,400</u>	<u>41,509</u>	<u>324</u>	<u>162,233</u>	<u>5,379,387</u>
Net Position					
Investment in capital assets	(184)	19,970	(6)	19,780	1,047,753
Unrestricted net position	88,340	348,910	363,024	800,274	1,169,936
Total net position	<u>\$ 88,156</u>	<u>\$ 368,880</u>	<u>\$ 363,018</u>	<u>\$ 820,054</u>	<u>\$ 2,217,689</u>

See notes to financial statements.

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EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2023

			Transport-		Governmental Activities
			ation		Internal
	Misdemeanor	HUD HCV	Enterprise	Total	Service Funds
Operating Revenues					
Grantor contributions	\$ -	\$4,358,027	\$ -	\$ 4,358,027	\$ -
Program income	1,194,227	2,300	224,113	1,420,640	-
Other revenue (expense)	756	11,252	-	12,008	(367,923)
Total operating revenues, net	1,194,983	4,371,579	224,113	5,790,675	(367,923)
Operating Expenses					
Salaries	593,447	225,507	87,686	906,640	-
Fringe benefits	175,760	67,948	27,657	271,365	(505,697)
Grant and program costs	-	3,901,865	-	3,901,865	-
Occupancy	63,551	3,669	395	67,615	-
Consultants and contracted services	1,255	3,252	115	4,622	-
Gasoline	-	-	16,503	16,503	27,034
Telephone	46,492	5,323	25	51,840	-
Training and conferences	4,586	1,938	-	6,524	-
Travel	42,043	5,943	-	47,986	-
Supplies	16,450	3,255	458	20,163	-
Insurance and bonding	15,727	9,521	7,880	33,128	25,422
Maintenance and repairs	14,265	11,537	53	25,855	24,098
Rentals	8,299	1,400	17	9,716	8,931
Depreciation and amortization	61,040	24,165	81	85,286	88,326
Postage and freight	4,174	8,478	-	12,652	-
Printing	9,345	1,142	22	10,509	-
Other expenses	16,790	2,197	171	19,158	267
Indirect cost allocation	148,989	56,196	22,507	227,692	-
Total operating expenses	1,222,213	4,333,336	163,570	5,719,119	(331,619)
Operating income (loss)	(27,230)	38,243	60,543	71,556	(36,304)
Transfers out	-	-	-	-	281,346
Change in net position	(27,230)	38,243	60,543	71,556	245,042
Total net position - beginning	115,386	330,637	302,475	748,498	1,972,647
Total net position - ending	\$ 88,156	\$ 368,880	\$ 363,018	\$ 820,054	\$ 2,217,689

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2023

					Governmental Activities
					Internal
					Service Funds
	Misdemeanor	HUD HCV	Transportation Enterprise	Total	
Cash Flows from Operating Activities					
Cash received from supervision fees	\$ 1,194,227	\$ -	\$ -	\$ 1,194,227	\$ -
Cash received from fees	-	-	217,829	217,829	7,091
Cash received from grants	-	4,358,027	-	4,358,027	-
Cash received from other revenue	-	13,552	-	13,552	(367,923)
Cash received from interest	756	-	-	756	-
Payments to employees	(593,447)	(225,507)	(87,686)	(906,640)	-
Payments for fringe benefits	(175,760)	(67,948)	(27,657)	(271,365)	505,697
Payments to vendors	(308,943)	(3,972,244)	(25,722)	(4,306,909)	536,629
Payments for indirect costs	(148,989)	(56,196)	(22,507)	(227,692)	-
Cash flows from operating activities	<u>(32,156)</u>	<u>49,684</u>	<u>54,257</u>	<u>71,785</u>	<u>681,494</u>
Cash Flows from Investing Activities					
Transfers from other funds	-	-	-	-	281,346
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,346</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets				-	(134,596)
Leased assets	(3,185)	(291)	(1)	(3,477)	-
Proceeds from sale of capital assets	-	-	-	-	4,176
Cash flows from capital and related financing activities	<u>(3,185)</u>	<u>(291)</u>	<u>(1)</u>	<u>(3,477)</u>	<u>(130,420)</u>
Net Change in Cash and Cash Equivalents	(35,341)	49,393	54,256	68,308	832,420
Balance - beginning of the year	<u>122,022</u>	<u>318,659</u>	<u>283,547</u>	<u>724,228</u>	<u>5,567,495</u>
Balances - end of the year	<u>\$ 86,681</u>	<u>\$ 368,052</u>	<u>\$ 337,803</u>	<u>\$ 792,536</u>	<u>\$ 6,399,915</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating income (loss)	\$ (27,230)	\$ 38,243	\$ 60,543	\$ 71,556	\$ (36,304)
Adjustments					
Depreciation expense	-	7,233	-	7,233	88,326
Gain on disposal of capital assets	-	-	-	-	(4,176)
Change in assets and liabilities:					
Increase (decrease) in accounts receivable	-	-	(6,284)	(6,284)	-
(Increase) decrease in prepaid expenditure	(400)	-	-	(400)	7,091
Increase (decrease) in accounts payable and accrued expenses	(4,526)	4,208	(2)	(320)	626,557
Net cash flows from operating activities	<u>\$ (32,156)</u>	<u>\$ 49,684</u>	<u>\$ 54,257</u>	<u>\$ 71,785</u>	<u>\$ 681,494</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

Fiduciary Funds

June 30, 2023

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 1,355,853
Other receivables	6,705
Investments, at fair values	
Investment accounts	3,247,904
Land and buildings	<u>228,300</u>
Total assets	<u>\$ 4,838,762</u>
Liabilities	
Accounts payable	\$ 26,139
Assets held for others	<u>104,390</u>
Total liabilities	<u>130,529</u>
Net Position	
Held in trust	<u>4,708,233</u>
Total net position	<u>\$ 4,708,233</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Changes in Net Position

Fiduciary Funds

Year Ended June 30, 2023

	<u>Custodial Funds</u>
Additions	
Contributions	\$ 673,309
Trust account income	1,084,880
Interest	<u>114</u>
Total additions	<u>1,758,303</u>
Deductions	
Distributions to beneficiaries	825,956
Nursing home/residential care	756,115
Legal	192,844
Living expenses	124,005
Other expenses	66,187
Medical and dental	50,021
Burial expenses	32,574
Insurance	27,385
Taxes	<u>2,292</u>
Total deductions	<u>2,077,379</u>
Change in net position	(319,076)
Net position at beginning of year	<u>5,027,309</u>
Net position at end of year	<u><u>\$ 4,708,233</u></u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Notes to Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Governing Board consists of:

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

The Public Council consists of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ETHRA charges each of the programs an indirect rate of 19.5% of salaries and fringe cost. In some cases, the rate is limited by the specific program grant.

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

Accounting Pronouncements - In May 2020, the GASB issued Statement No. 96-*Subscription-Based Information Technology Arrangements (SBITAs)*, effective for financial statements for periods beginning after June 15, 2022. The primary objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for SBITAs by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and subscription liabilities. There was no impact on the current financial statements from the implementation of the Statement.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2023, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

NOTE 2 - RECEIVABLES, DEPOSITS, AND INVESTMENTS

Allowance for Uncollectible Accounts - The allowance for uncollectible accounts is based upon a credit review of the accounts receivable, past debt experience, current economic conditions, and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors, and it is at least reasonably possible that a change in the estimate will occur in the near term. No allowance is necessary for grantor or other receivables at June 30, 2023.

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

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

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

NOTE 2 - RECEIVABLES, DEPOSITS, AND INVESTMENTS - (Continued)

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

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

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

NOTE 3 - INTERFUND RECEIVABLE/PAYABLE ACCOUNTS

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

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

NOTE 4 - PREPAID ITEMS

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

NOTE 5 - DEFERRED COMPENSATION PLAN

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

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

Employees may have as much of their gross compensation deducted as they choose, up to the maximum allowed by the Internal Revenue Service. A matching payment is made by ETHRA each payroll period. ETHRA will match any amount up to 5 percent of an employee's gross compensation, depending upon the employee's deduction. Employees can request a loan against their plan balances. Otherwise, the funds are not available to the employee until they are fully vested. Employees are fully vested after three years of service. Forfeitures can be used to pay for certain administrative expenses incurred by the plan. The forfeiture funds can also be used to reduce ETHRA's contributions to the plan, or they can be reallocated back to the remaining eligible participants as an additional contribution. For the year ended June 30, 2023, the Plan had \$26,293 in forfeitures. Employee deferrals for the year ended June 30, 2023, were \$532,727 and ETHRA's matching contribution was \$359,865.

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

NOTE 6 - OPERATING LEASE AGREEMENTS

ETHRA's financial statement include the adoption of GASB Statement No. 87, Leases ("GASB No.87")(see Note 7 for further details). There are certain short-term and month-to-month leases that are not accounted for under GASB 87. ETHRA leases offices and storage space to administer agency programs. All leases are cancelable at ETHRA's option. ETHRA incurred operating lease payments of \$360,917 in fiscal year 2023. Operating lease requirements under these agreements for the next five years and thereafter will be approximately as follows:

<u>Year ending June 30,</u>	
2024	<u>\$ 234,711</u>

NOTE 7 - LEASES

ETHRA has recorded right of use lease assets as a result of implementing GASB 87. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

ETHRA has recorded fourteen right of used leased assets. The assets are right of use assets for leased office space and equipment. The right of use lease assets are amortized on a straight-line basis over the terms of the related leases. See Note 8 for right of use asset activity.

Related lease activity for ETHRA for the year ended June 30, 2023 was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>Due Within</u>
	<u>07/01/22</u>			<u>06/30/23</u>	<u>One Year</u>
Lease liabilities	<u>\$ 1,792,013</u>	<u>\$ 392,925</u>	<u>\$ (663,038)</u>	<u>\$ 1,521,900</u>	<u>\$ 560,414</u>

The future minimum lease payments as of June 30, 2023, are as follows:

<u>Principal and Interest Expected to Maturity</u>			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 560,414	\$ 61,076	\$ 621,490
2025	329,657	40,383	370,040
2026	332,559	23,794	356,353
2027	199,141	9,803	208,944
2028	100,129	2,373	102,502
	<u>\$ 1,521,900</u>	<u>\$ 137,429</u>	<u>\$ 1,659,329</u>

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

NOTE 8 - CAPITAL ASSET

Governmental and business-type activities' capital asset changes for the year ended June 30, 2023 were as follows:

	Balance <u>07/01/22</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/23</u>
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Building Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,367,640	-	-	2,367,640
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	<u>7,451,424</u>	<u>280,672</u>	<u>(406,191)</u>	<u>7,325,905</u>
Total other capital asset at cost	<u>11,293,175</u>	<u>280,672</u>	<u>(406,191)</u>	<u>11,167,656</u>
Less accumulated depreciation for:				
Building Total	(653,017)	(36,997)	-	(690,014)
Furniture & Equipment Total	(2,296,678)	(6,130)	-	(2,302,808)
Leasehold improvements Total	(243,382)	-	-	(243,382)
Vehicles Total	<u>(3,980,580)</u>	<u>(1,074,155)</u>	<u>236,991</u>	<u>(4,817,744)</u>
Total accumulated depreciation	<u>(7,173,657)</u>	<u>(1,117,282)</u>	<u>236,991</u>	<u>(8,053,948)</u>
Governmental capital assets, net	<u>4,152,132</u>	<u>(836,610)</u>	<u>(169,200)</u>	<u>3,146,322</u>
Business-type capital assets:				
Vehicles	360,807	-	-	360,807
Accumulated depreciation	<u>(332,682)</u>	<u>(7,233)</u>	<u>-</u>	<u>(339,915)</u>
Business-type capital assets, net	<u>28,125</u>	<u>(7,233)</u>	<u>-</u>	<u>20,892</u>
Right-of-use lease assets:				
Leased office space	2,088,655	392,925	(119,717)	2,361,863
Leased equipment	<u>297,713</u>	<u>-</u>	<u>-</u>	<u>297,713</u>
Total right-of-use lease assets	<u>2,386,368</u>	<u>392,925</u>	<u>(119,717)</u>	<u>2,659,576</u>
Less accumulated amortization for:				
Leased office space	(590,797)	(592,761)	119,717	(1,063,841)
Lease equipment	<u>(53,058)</u>	<u>(64,342)</u>	<u>-</u>	<u>(117,400)</u>
Total accumulated amortization	<u>(643,855)</u>	<u>(657,103)</u>	<u>119,717</u>	<u>(1,181,241)</u>
Total right-of-use lease assets, net	<u>1,742,513</u>	<u>(264,178)</u>	<u>-</u>	<u>1,478,335</u>
Total capital assets, net	<u>\$ 4,180,257</u>	<u>\$ (843,843)</u>	<u>\$ (169,200)</u>	<u>\$ 4,645,549</u>

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expenses for the year ended June 30, 2023 were charged to programs/functions as follows:

Pool	\$ 88,326
Transportation	1,028,956
Total depreciation and capital expenses governmental activities	1,117,282
 Oak Ridge Transit	 7,233
	\$ 1,124,515

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

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

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

NOTE 9 - 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 listed below.

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

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

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

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

There are no committed fund balance amounts for fiscal year 2023.

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

NOTE 9 - FUND BALANCE - (Continued)

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

There are no assigned fund balance amounts for fiscal year 2023.

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

	General	Human Resource Services	Total Governmental Funds
Nonspendable			
Advances and deposits	\$ 8,931	\$ -	\$ 8,931
Restricted for			
Mountain Valley	-	207,361	207,361
Loan	-	1,206,814	1,206,814
Human Resource Services	-	6,213,416	6,213,416
East Tennessee Foundation			
Investment	23,955	-	23,955
Unassigned	<u>1,604,629</u>	<u>-</u>	<u>1,604,629</u>
Total fund balances	<u>\$ 1,637,515</u>	<u>\$ 7,627,591</u>	<u>\$ 9,265,106</u>

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

NOTE 10 - CONTINGENCIES

Sick Leave - ETHRA records the cost of sick leave when paid. Since sick leave (earned one day per month with a maximum of 60 days) is generally paid only when an employee is absent because of illness, injury, or related family death, there is no recorded liability for sick leave. The amount of unused sick leave was \$1,871,453 at June 30, 2023. 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 - In the normal course of operations, ETHRA could be named as a defendant in various lawsuits. In the opinion management and legal counsel, there is not active lawsuits where the outcome will have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

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

NOTE 11 - RISK MANAGEMENT

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

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

ETHRA provides basic health, disability, and life insurance coverage for its employees through commercial insurance policies. ETHRA's maximum obligation under the basic health insurance policy is limited to \$810 and \$1,902 per month per employee for single and family coverage, respectively. ETHRA's obligation under the disability and life insurance policies are based on the employee's rate of pay.

NOTE 12 - GRANTS

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

SUPPLEMENTARY INFORMATION

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Expenditures by Program

Governmental Funds

For the Year Ended June 30, 2023

Expenditures	Workforce				
	General	Aging	ETHRA Aging	Development	Title V
Current					
Salaries	\$ 1,269,482	\$ 1,932,750	\$ 403,693	\$ 533,641	\$ 64,422
Fringe Benefits	396,598	601,782	108,322	169,497	17,095
Professional Fees	198,643	186,626	8,601	44,300	870
Supplies	199,364	68,823	4,024	100,857	19
Telephone	53,336	38,932	12,384	64,663	1,147
Postage and Freight	3,273	6,136	560	1,172	1,263
Equipment Rental & Maintenance	64,856	4,702	5,043	27,500	520
Printing & Publications	182,756	3,331	1,643	7,404	271
Travel, Training, Conferences	124,954	160,305	49,779	38,520	3,442
Insurance	894	47,264	14,828	13,136	1,475
Occupancy	34,596	5,639	11,803	379,473	843
Fuel & Maintenance	-	-	-	-	-
Grants & Allocations	-	5,164,272	-	3,308,917	26,545
Participant	-	2,491,438	306,583	2,702,179	708,940
Depreciation	-	-	-	-	-
Other	112,358	202,123	43,185	161,027	5,560
Indirect cost allocation	(2,695,284)	488,400	98,432	136,835	15,571
In-Kind	-	4,640	50,051	-	137,716
Total Expenditures	<u>(54,174)</u>	<u>11,407,163</u>	<u>1,118,931</u>	<u>7,689,121</u>	<u>985,699</u>
Other Financing Sources (Uses)					
Transfers - match	<u>52,531</u>	<u>1,008,527</u>	<u>(975,821)</u>	<u>-</u>	<u>(23)</u>
Total other financing sources (uses)	<u>52,531</u>	<u>1,008,527</u>	<u>(975,821)</u>	<u>-</u>	<u>(23)</u>
Total expenditures	<u>\$ (1,643)</u>	<u>\$ 12,415,690</u>	<u>\$ 143,110</u>	<u>\$ 7,689,121</u>	<u>\$ 985,676</u>

See independent auditors' report.

	Housing & Restoration	Transportation/ Call Center	Community Corrections	Child Care Food	Homemaker	Mountain Valley	Loan Program	Total
\$	328,723	\$ 5,525,776	\$ 590,129	\$ 184,523	\$ 214,550	\$ 184,031	\$ -	\$ 11,231,720
	104,234	1,715,403	190,577	49,436	67,266	54,766	-	3,474,976
	6,381	157,230	2,207	2,299	446	10,362	9	617,974
	11,896	44,337	7,076	12,167	5,455	25,031	-	479,049
	4,554	88,280	15,106	4,515	12,659	9,699	-	305,275
	12,860	793	137	1,095	30	648	-	27,967
	1,627	45,635	7,966	2,727	852	2,517	-	163,945
	819	6,823	2,085	301	148	492	-	206,073
	2,703	37,802	54,377	26,344	61,479	10,637	-	570,342
	7,779	384,727	26,373	6,339	5,311	5,262	-	513,388
	4,205	83,061	29,377	2,335	12,453	14,556	-	578,341
	-	1,376,666	-	-	-	-	-	1,376,666
	-	-	-	4,012,170	-	-	-	12,511,904
	4,421,018	-	539	-	2,351	165,695	1,874	10,800,617
	-	-	-	-	-	4,272	-	4,272
	20,612	213,159	32,044	54,349	15,654	33,373	-	893,444
	84,632	1,403,342	101,388	44,808	47,437	46,748	-	(227,691)
	-	-	-	-	-	-	-	192,407
	<u>5,012,043</u>	<u>11,083,034</u>	<u>1,059,381</u>	<u>4,403,408</u>	<u>446,091</u>	<u>568,089</u>	<u>1,883</u>	<u>43,720,669</u>
	-	(86,711)	(8,014)	-	-	-	-	(9,511)
	-	(86,711)	(8,014)	-	-	-	-	(9,511)
\$	<u>5,012,043</u>	<u>\$ 10,996,323</u>	<u>\$ 1,051,367</u>	<u>\$ 4,403,408</u>	<u>\$ 446,091</u>	<u>\$ 568,089</u>	<u>\$ 1,883</u>	<u>\$ 43,711,158</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Non-Cash Assistance

For the Year Ended June 30, 2023

ASSISTANCE PROGRAMS AS IDENTIFIED IN THE ASSISTANCE LISTING NUMBER:

	GRANT # <u>83265-66715</u>	GRANT # <u>83265-70714</u>	<u>TOTALS</u>
<u>Assistance Listing Number #</u>	10.568	10.568	
<u>PROGRAM NAME</u>	Emergency Food Assistance Program	Emergency Food Assistance Program	
<u>GRANTOR AGENCY</u>	Tennessee Department of Agriculture	Tennessee Department of Agriculture	
<u>Balance 7/1/2022</u>	\$ 58,047	\$ -	\$ 58,047
<u>Receipts</u>	50,203	169,852	220,055
<u>Change in USDA Rate</u> (2)	3,708	-	3,708
<u>Other Additions</u> (3)	-	-	-
<u>Commodities Distributed</u>	58,419	187,087	245,506
<u>Other Deductions</u> (4)	(1,396)	-	(1,396)
<u>Balance 6/30/2023</u>	<u>\$ 54,935</u>	<u>\$ (17,235)</u>	<u>\$ 37,700</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 6/30/2023.

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

(4) This amount represents lost and damaged commodities.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Expenditures of Federal Awards and State Grants
For the Year Ended June 30, 2023

Federal/Pass-through Agency Program Title	ALN		
U.S. Department of Agriculture			
Passed through Tennessee Department of Agriculture			
SNAP Cluster			
Supplemental Nutrition Assistance Program	10.561	\$	54,926
Food Distribution Cluster			
Emergency Food Assistance Program (Administration)	10.568		81,400
Passed through Tennessee Department of Human Services			
Child and Adult Care Food Program	10.558		2,635,946
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559		1,932,811
Total U. S. Department of Agriculture		\$	<u>4,705,083</u>
U.S. Department of Housing and Urban Development			
Housing Voucher Cluster			
Section 8 Rental Voucher Program	14.871	\$	3,806,612
FSS Housing	14.871		57,560
Emergency Housing Vouchers	14.871		261,336
Mainstream Voucher Program	14.879		246,075
Total Housing Voucher Cluster/Total U. S. Department of Housing and Urban Development		\$	<u>4,371,583</u>
U.S. Department of Labor			
Passed through Center for Workforce Inclusion			
Senior Community Service Employment-SSAI	17.235	\$	747,458
Pass through Tennessee Department of Labor and Workforce Development			
Unemployment Insurance	17.225		90,204
Senior Community Service Employment-State	17.235		100,588
WIOA Cluster			
Workforce Investment Act Adult Program	17.258		1,876,789
Workforce Investment Act Youth Activities	17.259		2,766,577
Workforce Investment Act Dislocated Worker Formula	17.278		2,184,545
Total WIOA Cluster			<u>6,827,911</u>
Total U.S. Department of Labor		\$	<u>7,766,161</u>
U.S. Department of Transportation			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507	\$	892,481
Total Federal Transit Cluster			892,481
Passed through Tennessee Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509		5,966,801
JARC	20.516		291,067
Transit Services Programs Cluster			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		85,173
Total U.S. Department of Transportation		\$	<u>7,235,522</u>

See independent auditors' report.

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

Federal/Pass-through Agency Program Title	ALN	
U.S. Department of Energy		
Passed through Tennessee Housing Development Agency		
Weatherization Assistance for Low-income Persons	81.042	\$ 204,481
Low Income Heating and Energy Assistance Program	93.568	4,842,618
Total U.S. Department of Energy		<u>\$ 5,047,099</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	\$ 2,896
Total Department of Homeland Security		<u>\$ 2,896</u>
U.S. Department of Health and Human Services		
Passed through Tennessee Commission on Aging		
Aging Cluster		
Special Programs for the Aging, Title III, Part B	93.044	\$ 2,741,423
Special Programs for the Aging, Title III, Part C	93.045	2,219,580
Special Programs for the Aging, Title III, Part C COVID19	93.045	13,941
Special Programs for the Aging, Title III, Part C CARES	93.045	59,454
Nutritional Services Incentive Program	93.053	362,200
Total Aging Cluster		<u>5,396,598</u>
Special Programs for the Aging, Title VII, Chapter 3	93.041	12,281
Special Programs for the Aging, Title VII, Chapter 2	93.042	77,700
Special Programs for the Aging, Title VII, Chapter 2 CARES	93.042	37,024
Special Programs for the Aging, Title III, Part D	93.043	60,677
Special Programs for the Aging, Title IV	93.048	53,528
National Caregiver Support, Title III, Part E	93.052	617,591
Crime Victim Assistance	16.575	119,092
Passed through Tennessee Department of Human Services		
477 Cluster		
Community Services Block Grant	93.569	365,300
Community Services Block Grant COVID	93.569	80,791
Total 477 Cluster		<u>446,091</u>
SNAP Cluster		
State Administrative Matching Grants for the Supplemental		
Nutrition Assistance Program	10.561	28,961
Total SNAP Cluster		<u>28,961</u>
Social Services Block Grant	93.667	453,407
Elder Abuse Prevention Interventions Program	93.747	251,923
Passed through Office of Criminal Justice Programs		
Crime Victim Assistance	16.575	201,786
Total U.S. Department of Health and Human Services		<u>\$ 7,756,659</u>

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

Federal/Pass-through Agency Program Title	ALN	
Centers for Medicare and Medicaid Services		
Passed through Tennessee Commission on Aging		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	\$ 105,892
PPACA/MIPPA	93.071	110,939
Passed through TennCare		
Medicaid Assistance Program	93.778	1,053,464
Total Centers for Medicare and Medicaid Services		<u>\$ 1,270,295</u>
Total Federal		<u>\$ 38,155,298</u>
State and Local Grants		
Aging Services -- III-E Match	N/A	\$ 80,700
Senior Centers	N/A	160,200
State Nutrition	N/A	89,900
State Homemaker	N/A	47,600
State Guardianship	N/A	252,800
State Aging - Options	N/A	1,914,981
ARP	N/A	1,255,909
SMP	N/A	23,584
Options 2.0	N/A	339,009
ALZ Respite	N/A	39,047
AJC - DOL	N/A	226,773
AJC - TAA	N/A	11,203
AJC - SNAP	N/A	45,782
AJC - RESEA	N/A	25,630
American Apprenticeship	N/A	262,208
Re-entry Awareness	N/A	110,000
AJC - VR	N/A	24,481
Direct Appropriation	N/A	170,940
AJC - TDVA	N/A	39,286
Community Corrections	N/A	741,559
Community Early Intervention	N/A	146,712
FY22 Critical Trips Urban Operating Funds	N/A	232,779
FY22 Urban Operating Assistance Program	N/A	106,653
FY23 Critical Trips Urban Operating Funds	N/A	749,329
FY23 Urban Operating Assistance Program	N/A	381,400
FY22 Special Projects Capital Funding	N/A	128,840
BOPP	N/A	145,304
TEIS	N/A	423
Total State and Local		<u>\$ 7,753,032</u>

ALN = Assistance Listing Number

N/A = Not Applicable

See independent auditors' report.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state award activity of ETHRA under programs of the federal government for the year ended June 30, 2023. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selection portion of the operations of ETHRA they are not intended to and do not present the financial position, change in net position, or cash flows of ETHRA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. ETHRA uses an 19.5% indirect cost rate approved by the Department of Health and Human Services.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule
 June 30, 2023

HUD A/C#		HUD HCV
	Assets	
111	Cash - unrestricted	\$ 312,239
113	Cash - other restricted	<u>133,335</u>
100	Total Cash	<u>445,574</u>
128	Accounts receivable - fraud recovery	<u>74,790</u>
120	Total receivables, net of allowance for doubtful accounts	<u>74,790</u>
150	Total current assets	<u>520,364</u>
164	Furniture, equipment, & machinery - administration	115,758
166	Accumulated depreciation	<u>(94,866)</u>
160	Total capital assets, net of accumulated depreciation	<u>20,892</u>
180	Total non-current assets	<u>20,892</u>
290	Total assets	<u><u>\$ 541,256</u></u>
	Liabilities	
312	Account payable less than 90 days	\$ 19,030
346	Accrued expenses	<u>112</u>
310	Total current liabilities	<u>19,142</u>
353	Non-current liabilities - other	<u>95,148</u>
350	Total non-current liabilities	<u>95,148</u>
300	Total liabilities	<u>114,290</u>
	Net Position	
508.4	Net investment in capital assets	20,892
511.4	Restricted net position	-
512.4	Unrestricted net position	<u>406,074</u>
513	Total equity - net assets/position	<u>426,966</u>
600	Total liabilities and equity - net assets/position	<u><u>\$ 541,256</u></u>
	Line 113 Details	
113-020	FSS escrow deposits	\$ 95,148
113-030	All other funds	<u>38,187</u>
		<u><u>\$ 133,335</u></u>

See independent auditors' report.

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

HUD A/C#		HUD HCV
	Revenues	
70600	HUD PHA operating grants	\$ 4,360,327
71400	Fraud recovery	3,178
71500	Other revenue	<u>8,078</u>
70000	Total operating revenues	<u>4,371,583</u>
	Expenses	
	Administrative	
91100	Administrative salaries	179,151
91200	Auditing fees	3,252
91400	Advertising and marketing	172
91500	Employee benefit contributions - administrative	53,487
91600	Office expenses	54,098
91800	Travel	7,881
91810	Allocated overhead	56,195
91900	Other general expenses	<u>75,119</u>
91000	Total operating - administrative	<u>429,355</u>
	Tenant	
92100	Tenant services - salaries	46,357
92300	Employee benefit contributions - tenant services	<u>14,461</u>
92500	Total tenant services	<u>60,818</u>
	Insurance premiums	
96120	Liability insurance	<u>9,521</u>
96100	Total insurance premiums	<u>9,521</u>
96900	Total operating expenses	<u>499,694</u>
97000	Excess of operating revenue over operating expenses	<u>3,871,889</u>
97300	Housing assistance payments	3,897,618
97350	HAP portability-in	4,212
97400	Depreciation expense	<u>7,233</u>
90000	Total expenses	<u>4,408,757</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (37,174)</u>

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

HUD A/C#		HUD HCV
	Memo account information	
11030	Beginning equity	\$ 313,973
11170	Administrative fee equity	329,952
11180	Housing assistance payments equity	(57,760)
11190	Unit months available	9,564
11210	Number of unit months leased	6,639
	Line item 70600 details	
70600-010	Housing assistance payments	3,833,721
70600-020	Ongoing administrative fees earned	469,046
70600-031	FSS coordinator grant	<u>57,560</u>
	Total	<u>\$ 4,360,327</u>
	Line item 71400 details	
71400-010	Housing assistance payment	\$ 1,589
71400-020	Administrative fee	<u>1,589</u>
	Total	<u>\$ 3,178</u>
	Line item 97300 details	
97300-020	Home-ownership	\$ 128,033
97300-040	Tenant protection	9,997
97300-041	Portability-out	1,076
97300-045	FSS escrow deposits	59,795
97300-050	All other	<u>3,698,717</u>
	Total	<u>\$ 3,897,618</u>
	Line item 11170 details	
11170-001	Administrative fee equity - beginning balance	\$ 308,510
11170-010	Administrative fee revenue	443,889
11170-021	FSS coordinator	57,560
11170-045	Fraud recovery revenue	1,589
11170-050	Other revenue	<u>1,128</u>
11170-060	Total admin fee revenues	<u>812,676</u>
11170-080	Total operating expenses	499,694
11170-090	Depreciation	7,233
11170-095	Housing assistance payment portability in	<u>4,212</u>
11170-110	Total expenses	<u>511,139</u>
11170-002	Net administrative fee	<u>301,537</u>
11170-003	Administrative fee equity - ending balance	<u>\$ 610,047</u>
11170-006	Post - 2003 administrative fee reserves	<u>\$ 610,047</u>

See independent auditors' report.

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

<u>HUD A/C#</u>		<u>HUD HCV</u>
	Line item 11180 details:	
11180-001	Housing assistance payments equity - beginning balance	\$ 332,541
11180-010	Housing assistance payments revenue	3,833,721
11180-015	Fraud recovery revenue	<u>1,589</u>
11180-021	Comments for other revenue - forfeitures	
11180-030	Total housing assistance payments revenue	<u>4,167,851</u>
11180-080	Housing assistance payments	<u>3,897,618</u>
11180-091	Comments for other expenses - prior period expense correction	
11180-100	Total housing assistance payments expenses	<u>3,897,618</u>
11180-002	Net housing assistance payments	<u>270,233</u>
11180-003	Housing assistance payments equity - ending balance	<u><u>\$ 602,774</u></u>
	Line item 11190 details:	
11190-210	Total ACC HCV Units	<u>9,564</u>

COMPLIANCE REPORTS

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

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

Internal Control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers
14.879	Mainstream Vouchers
93.778	Medical Assistance Program
20.509	Formula Grants for Rural Areas
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$1,144,659

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

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

None Reported.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2022

Findings - Financial Statements Audit

There were no prior findings reported.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no prior findings reported.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated January 9, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
January 18, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Tennessee Human Resource Agency, Inc. ("ETHRA") compliance with the types of compliance requirements identified as subject to audit 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, 2023. ETHRA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ETHRA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ETHRA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the ETHRA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ETHRA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud

is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ETHRA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ETHRA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ETHRA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 ETHRA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
January 18, 2024