

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Financial Statements with Supplementary Information

Year Ended June 30, 2015

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Financial Statements with Supplementary Information
Year Ended June 30, 2015

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Independent Auditors' Report

Governing Board
South Central Human Resource Agency
Fayetteville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

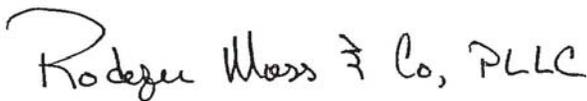
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules of indirect costs and expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules of insurance coverage and agency officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Nashville, Tennessee
January 28, 2016

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis
June 30, 2015

This discussion is intended to present a broad view of South Central Human Resource Agency's financial position and activities for the fiscal year ended June 30, 2015. This information is provided to comply with GASB No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The discussion and analysis included in this document contain information regarding social services provided by South Central Human Resource Agency.

Mission Statement

South Central Human Resource Agency helps people in need to help themselves and each other to enrich their lives.

Agency Overview

The South Central Human Resource Agency ("SCHRA" or the "Agency") was created July 11, 1973 and chartered as a public non-profit corporation February 19, 1975. The Agency's goal is to promote the development of human resources in South Central Tennessee through effective and efficient delivery of human services. From the Agency's central office at 1437 Winchester Highway in Fayetteville, Tennessee, it strives to effectively deliver human service programs and oversee the coordination efforts through its Neighborhood Service Centers located in the thirteen counties served by the Agency: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The counties served by SCHRA contain over 6,500 square miles of vastly rural country and supports a population of approximately 423,000 individuals. Across this region in fiscal year 2015, SCHRA had in place 13 Neighborhood Service Centers, 21 Head Start Centers, 3 Pre-K classroom collaborations in 3 counties, 3 Early Head Start Centers, and 21 congregate meal sites served by 2 commercial kitchens. The Senior Community Employment Program also serves clients in four additional counties: Bledsoe, Grundy, Marion, and Sequatchie. During fiscal year 2015, SCHRA delivered over \$19.0 million dollars of services through grant/contract programs and employed approximately 400 people.

Governing Bodies

The corporate powers of SCHRA are vested in its Governing Board, which is responsible for fulfilling Agency objectives and establishing policy guidelines and direction. The Governing Board has delegated authority to the Executive Committee of the South Central Tennessee Development District (SCTDD) to act for it, and has authorized the Policy Council to administer Agency activities within the framework of established policies and in conformance with federal and state program guidelines.

The Governing Board is composed of representatives from each of the thirteen counties that the Agency serves. Membership consists of the county executive/mayor of each county, the mayor of each municipality, and thirteen human resource representatives appointed by the county mayor/executive, and one state senator and one state representative whose districts lie within the Development District. Similarly, the Executive Committee of the SCTDD is comprised of thirteen county/metro executives, three minority representatives, one state senator, one state representative, and seven city mayors; and, as authorized, acts for the Governing Board.

The membership of the Policy Council is comprised of one-third elected public officials currently holding office, one-third are persons chosen in accordance with democratic selection procedures to assure that they are representatives for the poor in the area they serve, and the remainder are officials or members of business, industry, religious, welfare, educational, and other major groups with interest in the community. This is known as a tri-partite board to insure compliance with the Community Services Block Grant Act.

Additionally, serving on the Policy Council in a voting status is a Head Start Policy Council Representative. A Licensed Attorney, a Financial Management Representative, and an Early Childhood Representative also serve on the Policy Council to meet the requirements of the Head Start Act. Normally these last three positions do not have voting status unless they serve in a dual role as an appointed community representative.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis (Continued)

The Policy Council meets six times (bi-monthly) a year; the Executive Committee of the SCTDD acting for the Governing Board, meets in concert with and ratifies Policy Council actions including program budgets, proposals, and contracts approved by the Policy Council. The Governing Board meets annually.

The members of these bodies play a critical role in overseeing programs, ratifying policies and helping to plan the future of the Agency. Without a strategy based on knowledge and placed in the hands of competent and concerned individuals, the Agency would have only random ideas without a guiding purpose or direction.

Central Office Building in Fayetteville, TN

On March 20, 2002, the Agency acquired a 40,000 square foot, single story, brick commercial building situated on 5.1 acres, located at 1437 Winchester Highway. This facility includes a commercial kitchen, office and program facilities, and a storage area for commodities held for distribution. The Agency moved into this building as its base of operations in April 2005 and continues to operate from this location.

Program Highlights

The Agency operates a variety of programs to meet the needs of clients in its service areas. Program highlights for the Agency's most significant programs from fiscal year 2015 follow:

Head Start Program

The objectives of the Head Start and Early Head Start (collectively referred to as "Head Start") programs, funded by the U.S. Dept. of Health and Human Services - Administration for Children and Families, are to promote school readiness by enhancing children's cognitive social and emotional development. Head Start and Early Head Start together serve pregnant women and children (birth to 5) and their families, who are under the poverty line or are eligible for public assistance. The Head Start program provides services in the following areas: early childhood development and health services and family and community partnerships. Inclusive in these services are education, medical and dental services, mental health, nutrition, parent involvement, family services, special needs services and family literacy. Ten percent of our enrollment is mandated to serve children with disabilities. Our program ensured that age-appropriate health services were provided to 989 enrolled and/or terminated children, with 82% receiving age appropriate preventive dental services, and 17 children receiving mental health services. Our centers are Tennessee State Childcare licensed, which implement the three-star rating system that uses the ECERS-R and ITERS-R to monitor learning environments and teaching practices. Along with establishing school readiness goals for the children we acknowledge that parents are their child's first educators and will continue to be throughout their child's educational career. There were numerous parents and community volunteers who provided services to our program throughout all 13 of our counties. During FY 15, the Agency was awarded an Early Head Start expansion grant totaling \$2,555,000 to cover 18 months from March 1, 2015 through August 31, 2016. This award includes \$2,200,000 for expansion, \$300,000 for start-up, and \$55,000 for Training and Technical Assistance. The Non-Federal share totals \$638,750. This award is to expand services in Bedford, Coffee, Lincoln, and 2 sites in Maury County. The proposed number of additional children to be served is 128.

Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance Program ("LIHEAP") is funded by the Tennessee Housing Development Agency ("THDA"). This program provides assistance to elderly, handicapped, and low-income persons with energy used to heat their homes through financial assistance to offset a portion of the cost. Priority for assistance is given to lowest of income. Priority points are used to determine the amount of assistance which ranges from \$300 to \$600. Energy and crisis assistance is provided to eligible households through direct payment to a utility or propane company. During fiscal year 2015, a total of 8,514 clients received assistance totaling \$3,358,170.

Nutrition Services for the Elderly Program

The Nutrition Services for the Elderly ("Nutrition") Program, funded by the South Central TN Development District/TN Commission on Aging and Disabilities through the Older Americans Act, strives to help the frail and elderly individuals aged 60 or over to eat adequately by providing a noon-time meal in a congregate or home delivered setting. The development of skill and/or knowledge to help the elderly select and prepare nourishing and well-balanced meals is also a primary concern.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis (Continued)

Meals are provided to those who have limited mobility which may impair their capacity to shop and cook for themselves. The program is committed to insuring the dignity of every person and underlining their importance through continued social contact and activities which minimize the need for institutionalism in nursing homes or comparable facilities. During fiscal year 2015, a total of 92,396 congregate meals were served to 1,519 clients and 64,301 home delivered meals were served to 262 clients. Additionally, funding through State of Tennessee Home and Community Based Program (Options), the Family Caregiver Program and the Statewide Long Term Care Choices Program (AmeriGroup, AmeriChoice and Blue Care) provides similar meals to the frail and disabled aged 18 years or older. For this period, Options provided 12,689 meals to 105 clients, Family Caregiver provided 2,037 meals to 12 clients, and Long Term Care Choices provided 31,693 meals to 124 clients.

Community Representative Payee Program

The Community Representative Payee Program, funded by client fees established by the Social Security Administration, offers money management services to assist persons who are incapable of budgeting, paying routine bills, and keeping track of financial matters. Those served must receive Social Security or some type of disability benefit and be certified by a physician or judge to be incapable of money management. During fiscal year 2015, 273 clients were assisted in nineteen Tennessee counties and nine other states. Benefits overseen on behalf, of clients for the year totaled \$2,179,428.

Food Service Program

Through the operation of two commercial kitchens SCHRA provides hot nutritious meals to programs and individuals for a fee without limited qualifications. This service acts as a vendor to numerous Agency programs as well as the general public. A staff of 15 employees, utilizing 12 vans, delivers centrally prepared food to all thirteen counties in the Agency's service area. Additionally these kitchens offer professional catering services to provide income to purchase major food service equipment and to help sustain the Agency's congregate meal service for a full five day week. During fiscal year 2015, these kitchens supplied 209,842 meals for the Agency's Senior Nutrition Program and 34,091 meals for its Head Start Program. Other catering engagements both internal and public produced additional revenues of \$77,498.

Community Services Block Grant Program

The Community Services Block Grant ("CSBG") Program provides a wide range of services and activities which will have a measurable and potentially major impact on poverty in the community. The Agency received funding for fiscal year 2015 for operation of its CSBG Program from funds passed through to the Agency by the Tennessee Dept. of Human Services ("DHS"). The CSBG Program insures access to programs and services by elderly, handicapped, and low-income persons through the Neighborhood Service Centers in each of the 13 counties served by the Agency, where experienced personnel assist in meeting the needs of the low-income population. Direct services to clients, except information and referral, have an income eligibility requirement of 125% of federal poverty guidelines. In addition to financial eligibility, need of service must be established according to the individual or household circumstances with priority given to the elderly and handicapped. During fiscal year 2015, the CSBG Program served 9,728 unduplicated households with 16,222 units of service.

Senior Community Service Employment Program

The Senior Community Service Employment ("Title V") Program, funded by Senior Service America, Inc. ("SSAI"), is designed to assist economically disadvantaged people age 55 and over by providing immediate supplemental income, work experience and training at an approved training site, with an immediate goal of more permanent, unsubsidized employment. The Title V Program is also dedicated to strengthening families, communities, and the nation by providing older and disadvantaged individuals with opportunities to learn, work, and serve others. Clients must be age 55 or above, a legal resident of the county in which they apply, and be capable of performing tasks involved in the community service employment assigned as stated in the training site description, and must be economically disadvantaged, as determined by the currently established poverty guidelines - 125% scale. Title V clients who cannot immediately be placed into an unsubsidized job receive assistance on finding a job and/or are assigned to eligible non-profit and government agencies for approximately 20 hours of work per week. In these assignments, clients receive valuable work experience and skill training while assisting their host agency in delivering essential community services. During fiscal year 2015, the Title V Program served a twelve (12) county area with an allocated slot level of 81 clients. The Title V Program also served four (4) additional counties (Bledsoe, Grundy, Marion, and Sequatchie) which are outside of SCHRA's service area. During fiscal year 2015 a total of 140 clients were served. The program met the goal of 24 placements for 2015.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis (Continued)

Homemaker Services for the Elderly Program

The Homemaker Services for the Elderly ("Homemaker") Program, funded by the South Central TN Development District/TN Commission on Aging and Disabilities through the Older Americans Act ("SCTDD/AAAD"), provides homemaker, respite, and/or personal care services to individuals age 60 and over or adults age 18 or older who are disabled or incapacitated who wish to remain in their own homes. A plan of care related to household operations and home management for individuals eligible for the program is developed following an in depth assessment through the SCTDD/AAAD. Without such services, they become at risk of residential or institutional care. Homemaker services involve a series of in-home contacts for the purpose of providing such services as light housekeeping, laundry, maintenance, household business, care and referral to other resources where appropriate. During fiscal year 2015, a total of 2,444 units of service were provided by the Homemaker Program. Additionally, funding through the State of Tennessee Home and Community Based Program (Options), the Family Caregiver Program and the Statewide Long Term Care Choices Program (AmeriGroup, AmeriChoice and Blue Care) provides for homemaker and personal care assistance and respite sitter service to the frail elderly and adults with disabilities. During fiscal year 2015, Options provided 4,134 units of service, Family Caregiver provided 1,196 units of service, and Long Term Care Choices provided 12,246 units of service. These services were delivered to 86 clients.

Community Corrections Program

The Community Corrections Program, funded by the Tennessee Dept. of Corrections, is designed to help alleviate the overcrowding of prisons and jails by offering constructive sentencing options for non-violent offenders in the Circuit Courts of the 14th Judicial District - Coffee County, the 17th Judicial District - Bedford, Lincoln, Marshall, and Moore Counties, and the 22nd Judicial District - Giles, Lawrence, Maury, and Wayne Counties. The Program provides intensive monitoring of offenders, and includes necessary services to enhance a successful reintegration into society. During fiscal year 2015, the Program served 505 clients who paid \$15,040 in victim restitution, \$14,396 in child support, and worked 7,502 hours of community service.

Foster Grandparent Program

The Foster Grandparent Program, funded by the Corporation for National Service, provides stipend volunteer opportunities for limited income persons age 55 and older to give supportive services to children with "special needs" in the community. Foster Grandparents assist children and adolescents with learning disabilities, those who have been abused and/or neglected, and drug addicted abandoned babies. Teen parents and their children may also be assisted by these volunteers. Foster Grandparents serve an average of 20 hours a week in volunteer stations such as Head Start, public schools, day care centers, shelters for abused women and children, and after school programs. Applicants must be at least 55 years old, willing to serve an average of 20 hours per week and meet 200% of poverty guidelines. Volunteers receive a modest tax-free allowance or stipend and an annual physical exam. For fiscal year 2015, services were provided for 256 "at risk" children by 59 Foster Grandparents.

Social Services Block Grant ("SSBG")/Protective Service Homemaker Program

The SSBG/Protective Service Homemaker Program, funded by Tennessee Dept. of Human Services, provides supportive services to adults (Adult Protective Services (APS) cases) who have been threatened with abuse, neglect, or exploitation and require assistance to prevent this from occurring. Services focus on activities which the client can no longer do for themselves and which are necessary for the person to remain at home, including emotional support and encouragement during periods of loneliness and depression. Services are directed at teaching homemaking and daily living skills to these individuals. Eligibility is determined by the DHS caseworker. Need is established when an individual or family is experiencing a specific personal or social problem for which homemaker services are deemed appropriate. During fiscal year 2015, a total of 8,031 hours of service were provided to 108 clients.

Rebuild and Recover Program - Lincoln County

The Agency was chosen to administer a grant for Lincoln County, provided by the Tennessee Housing Development Agency, to help victims of the April 2014 tornado rebuild their homes. The homes must be owner occupied with the owner meeting established income guidelines. The maximum grant amount per house was \$40,000. Rehabilitation was completed on three homes, and one demolished mobile home was replaced through the program.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis (Continued)

Weatherization Assistance Program

The Weatherization Assistance Program (“WAP”), funded by the Tennessee Housing Development Agency (“TDHA”), strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by TDHA to qualified housing units. Eligibility guidelines for this funding allow households of up to 200% of federal poverty level to benefit. The funding and scope of this program have been drastically reduced due to the lack of federal funding. In addition, the WAP contract for FY’ 15 did not start until November 1, 2014 and has since been extended until June 30, 2016 to run concurrently with the FY’16 contract due to the new THDA requirements that the unit audits must be done by a nationally certified inspector. During the year, all 183 weatherization applications were updated for eligibility and we have contracted to weatherize 67 homes before June 30, 2016 under the combined contracts.

Overview of the Financial Statements

Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency’s basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Agency through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader’s understanding of the financial condition of the Agency.

The final section of the report is the federally mandated “Single Audit”, which is prepared to comply with the Single Audit Act of 1996. Reports on internal control and compliance, along with the schedule of expenditures of federal and state awards, are presented to reflect federal and state participation in various Agency programs.

Government-Wide Financial Statements

The first two statements on pages 11 and 12 are government-wide financial statements that are designed to provide a broad overview of the Agency’s financial position and operations, in a manner similar to a private-sector business. The statement of net position presents the Agency’s assets and liabilities, with the difference between the two categories reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving. The statement of activities presents information on how the Agency’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement, which may result in cash flows in future fiscal periods, such as earned but unused accrued leave. All of the Agency’s activities are considered to be governmental activities.

Fund Financial Statements

The fund financial statements on pages 13 through 16 provide more detail about the Agency’s most significant activities. Funds are used to maintain control over resources that are to be segregated for specific activities or purpose. Fund accounting ensures and reflects compliance with finance-related legal requirements, such as grantor provisions. All of the Agency’s funds are considered to be governmental funds.

Governmental Funds

Governmental funds are used to account for basic services and are reported as governmental activities in the government-wide financial statements. Governmental funds use an accounting method called modified accrual accounting. This method provides a short-term spending focus. The relationship between government activities (reported in the statement of net position and the statement of activities) and governmental funds is described in reconciliations that are part of the fund financial statements.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis (Continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 17 through 23 of this report.

Supplementary Information

The supplementary information on pages 24 through 30 of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Government-Wide Financial Analysis

Net Position

Table 1 below is a summary of the Agency's net position at June 30, 2015 with comparative data from June 30, 2014.

Table 1
Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>
Current assets	\$ 2,633,723	\$ 2,663,148
Restricted assets	577,020	588,253
Capital assets	<u>2,030,911</u>	<u>2,061,715</u>
Total assets	<u>5,241,654</u>	<u>5,313,116</u>
Current liabilities	<u>1,960,792</u>	<u>1,982,619</u>
Total liabilities	<u>1,960,792</u>	<u>1,982,619</u>
Net position:		
Net investment in capital assets	2,030,911	2,061,715
Unrestricted	<u>1,249,951</u>	<u>1,268,782</u>
Total net position	<u>\$ 3,280,862</u>	<u>\$ 3,330,497</u>

The Agency's assets exceeded liabilities by \$3.28 million as of June 30, 2015. The Agency's net position decreased \$49,635 for the fiscal year.

The largest portion (62%) of net position reflects the Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land). The Agency uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis (Continued)

Change in Net Assets

Table 2 presents a summary of government-wide activity (as presented on page 12) for the year ended June 30, 2015, with comparative data for June 30, 2014.

Table 2
Change in Net Position

	<u>2015</u>		<u>2014</u>	
	<u>Amount</u>	<u>Percentage of Funding</u>	<u>Amount</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$ 15,497,350	75.90%	\$ 14,458,411	75.90%
Charges for services and other income	<u>4,919,667</u>	<u>24.10%</u>	<u>4,590,312</u>	<u>24.10%</u>
Total revenues	<u>20,417,017</u>	<u>100.00%</u>	<u>19,048,723</u>	<u>100.00%</u>
Expenses:				
Head Start	8,430,263	41.29%	7,234,964	37.98%
Low Income Home Energy Assistance	3,839,362	18.80%	3,747,264	19.67%
Community Representative Payee	2,290,068	11.22%	1,940,703	10.19%
Nutrition Services for the Elderly	1,480,324	7.25%	1,508,003	7.92%
Food Service	1,140,045	5.58%	1,141,481	5.99%
Community Services Block Grant	763,845	3.74%	695,668	3.65%
Senior Community Service Employment	646,770	3.17%	675,884	3.55%
Community Corrections	474,627	2.32%	480,823	2.52%
Homemaker Services for the Elderly	363,272	1.78%	441,883	2.32%
Foster Grandparent	267,175	1.31%	279,668	1.47%
Social Services Block Grant	238,714	1.17%	240,283	1.26%
Rebuild and Recover	168,808	0.83%	-	0.00%
Weatherization Assistance	9,488	0.05%	186,929	0.98%
Emergency Food Assistance	91,041	0.45%	110,476	0.58%
State Appropriations, Agency & Other	<u>262,850</u>	<u>1.29%</u>	<u>313,504</u>	<u>1.65%</u>
Total expenses	<u>20,466,652</u>	<u>100.24%</u>	<u>18,997,533</u>	<u>99.73%</u>
Change in net position	(49,635)	<u>-0.24%</u>	51,190	<u>0.27%</u>
Net position at beginning of year	<u>3,330,497</u>		<u>3,279,307</u>	
Net position at end of year	<u>\$ 3,280,862</u>		<u>\$ 3,330,497</u>	

Governmental activities showed a decrease in net position of \$49,635 for the fiscal year compared to an increase in net position of \$51,190 for the prior year. Operating grants and contributions provided approximately 76% of the funds for governmental activities for both the current and prior fiscal years. These funds were expended in both years primarily for child education, energy assistance, and nutrition and other services for the elderly.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis (Continued)

Financial Analysis of the Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Agency's governmental funds is on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Agency's financing requirements.

As of June 30, 2015, the Agency's governmental funds reported a combined balance of approximately \$1.25 million, a decrease of \$18,831 over last year.

The general fund is the Agency's primary operating fund. Expenditures exceeded revenues in this fund by \$12 for the fiscal year. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1,178,511, with a total fund balance of \$1,249,951.

The special revenue fund is used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for a specific purpose other than debt service or capital projects. Expenditures exceeded revenues in this fund by \$18,819 for the fiscal year. This short-fall was funded by a transfer from the general fund of the same amount.

Capital Assets

As of June 30, 2015, the Agency's capital assets totaled \$2,030,911 compared to \$2,061,715 in the prior fiscal year; a net decrease of \$30,804. These assets include buildings and improvements, vehicles, equipment, and land. Additions to capital assets totaled \$103,343 and net disposals totaled \$48,798 for the fiscal year. The Agency also recognized depreciation expense of \$134,147. Additional information on the Agency's capital assets can be found in Note 4 of the financial statements.

Long-Term Debt

The Agency has no long-term debt.

Factors Bearing on SCHRA's Future

The Agency is dependent on federal and state funding in order to carry out its various programs. It received increased funding for 2015 due to the elimination of federal sequestration. It has also been awarded the Head Start Program through May 31, 2018. The Agency has also been awarded \$2,555,000 in Early Head Start expansion funding as of March 1, 2015 and an additional \$1,375,000 as of March 1, 2016. Under Section 4-29-236 of the *Tennessee Code Annotated*, the Agency was scheduled to terminate on June 30, 2015. In 2015, the State of Tennessee passed the necessary legislation to extend the Agency for an additional six years.

Requests for Information

This report is designed to provide an overview of the Agency's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Financial Operations, South Central Human Resource Agency, P.O. Box 638, Fayetteville, TN 37334.

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Statement of Net Position

June 30, 2015

ASSETS		
Cash		\$ 881,677
Certificate of deposit		460,942
Receivables		1,219,664
Prepaid expenses		71,440
Restricted assets		
Cash		398,636
Inventories - commodities		178,384
Capital assets		
Buildings and improvements	2,392,129	
Vehicles	942,918	
Equipment	359,333	
Land	<u>25,000</u>	
	3,719,380	
Less accumulated depreciation	<u>1,688,469</u>	
Capital assets, net		<u>2,030,911</u>
Total assets		<u>5,241,654</u>
LIABILITIES		
Accounts payable	717,633	
Accrued payroll	214,788	
Accrued payroll taxes and employee benefits	111,802	
Due to funding source	614,216	
Accrued leave	266,853	
Accrued audit fee	<u>35,500</u>	
Total liabilities		<u>1,960,792</u>
NET POSITION		
Net investment in capital assets		2,030,911
Unrestricted		<u>1,249,951</u>
Total net position		<u><u>\$ 3,280,862</u></u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses		Revenues		Net Revenue (Expense) and Changes in Net Position
	Direct Expenses	Indirect Costs Allocated	Charges for Services and Other Income	Operating Grants and Contributions	
Governmental Activities:					
Program activities:					
Head Start	\$ 7,823,603	\$ 606,660	\$ 5,642	\$ 8,458,837	\$ 34,216
Low Income Home Energy Assistance	3,759,467	79,895	-	3,839,362	-
Community Representative Payee	2,281,588	8,480	2,281,615	-	(8,453)
Nutrition Services for the Elderly	1,440,845	39,479	900,833	543,050	(36,441)
Community Services Block Grant	705,418	58,427	5,300	762,016	3,471
Senior Community Service Employment	640,638	6,132	-	646,770	-
Community Corrections	438,250	36,377	37,749	436,929	51
Homemaker Services for the Elderly	335,428	27,844	378,309	-	15,037
Foster Grandparent	259,319	7,856	-	267,175	-
Social Services Block Grant	220,417	18,297	-	216,089	(22,625)
Rebuild and Recover	167,791	1,017	168,808	-	-
Emergency Food Assistance	84,063	6,978	918	91,041	918
Other	43,136	3,581	557	50,418	4,258
Support services:					
Food Service	1,052,662	87,383	1,126,747	-	(13,298)
State Appropriations, Agency & Other	218,328	7,293	13,189	185,663	(26,769)
Total	<u>\$ 19,470,953</u>	<u>\$ 995,699</u>	<u>\$ 4,919,667</u>	<u>\$ 15,497,350</u>	(49,635)
Net position at beginning of year					<u>3,330,497</u>
Net position at end of year					<u>\$ 3,280,862</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Balance Sheet - Governmental Funds
June 30, 2015

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash	\$ 876,677	\$ 5,000	\$ 881,677
Certificate of deposit	460,942	-	460,942
Receivables			
Funding sources and others	4,282	1,215,382	1,219,664
Due from special revenue fund	188,313	-	188,313
Prepaid expenses	71,440	-	71,440
Restricted assets			
Cash	1,574	397,062	398,636
Inventories - commodities	-	178,384	178,384
Total assets	\$ 1,603,228	\$ 1,795,828	\$ 3,399,056
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 175,145	\$ 542,488	\$ 717,633
Accrued payroll	40,224	174,564	214,788
Accrued payroll taxes and employee benefits	20,936	90,866	111,802
Due to funding sources	-	614,216	614,216
Due to general fund	-	188,313	188,313
Accrued leave	81,472	185,381	266,853
Accrued audit fee	35,500	-	35,500
Total liabilities	353,277	1,795,828	2,149,105
Fund Balances			
Nonspendable	71,440	-	71,440
Unassigned	1,178,511	-	1,178,511
Total fund balances	1,249,951	-	1,249,951
Total liabilities and fund balances	\$ 1,603,228	\$ 1,795,828	\$ 3,399,056

SOUTH CENTRAL HUMAN RESOURCE AGENCY
 Reconciliation of the Balance Sheet - Governmental
 Funds to the Statement of Net Position
 June 30, 2015

Fund balances - total governmental funds		\$ 1,249,951
<p>Amounts reported for governmental activities in the statement of net position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets		3,719,380
Less accumulated depreciation		<u>1,688,469</u>
		<u>2,030,911</u>
Net position of governmental activities		<u>\$ 3,280,862</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
Year Ended June 30, 2015

	General	Special Revenue	Total Governmental Funds
Revenues			
Grantor contributions	\$ -	\$ 15,271,186	\$ 15,271,186
Performance based income	-	1,210,929	1,210,929
Program income	1,126,668	97,015	1,223,683
State and local contributions	185,663	40,500	226,163
Interest income	2,659	2	2,661
Other income	124,655	2,357,740	2,482,395
Total revenues	<u>1,439,645</u>	<u>18,977,372</u>	<u>20,417,017</u>
Expenditures			
Salaries	280,687	5,105,851	5,386,538
Fringe benefits	147,248	2,373,833	2,521,081
Participant costs	6,936	4,328,862	4,335,798
Food	580,201	1,349,381	1,929,582
Indirect costs	103,499	892,200	995,699
Contract services	-	425,238	425,238
Insurance and bonding	17,058	51,552	68,610
Maintenance and repairs	39,796	294,910	334,706
Nonexpendable supplies	876	157,464	158,340
Office supplies	2,620	27,636	30,256
Other	27,076	2,237,249	2,264,325
Postage	7,963	15,863	23,826
Printing and duplication	3,017	17,033	20,050
Professional services	5,683	223,585	229,268
Program supplies	41,290	397,451	438,741
Rent and leases	34,490	452,574	487,064
Telephone	2,350	132,969	135,319
Transportation	20,768	40,811	61,579
Travel - in area	376	110,488	110,864
Travel - out of area	904	97,180	98,084
Utilities	26,928	140,744	167,672
Vehicles and equipment	89,891	123,317	213,208
Total expenditures	<u>1,439,657</u>	<u>18,996,191</u>	<u>20,435,848</u>
Deficiency of revenues over expenditures	(12)	(18,819)	(18,831)
Other Financing Sources (Uses)			
Transfers in (out)	<u>(18,819)</u>	<u>18,819</u>	<u>-</u>
Net change in fund balances	(18,831)	-	(18,831)
Fund balances at beginning of year	<u>1,268,782</u>	<u>-</u>	<u>1,268,782</u>
Fund balances at end of year	<u>\$ 1,249,951</u>	<u>\$ -</u>	<u>\$ 1,249,951</u>

See accompanying notes to financial statements.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Governmental Funds to the Statement of Activities
 Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (18,831)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated lives

Expenditures for capital assets	103,343	
Current year's depreciation	<u>134,147</u>	
		(30,804)

Governmental funds report proceeds from disposals of capital assets as revenues. However, the corresponding gain (loss) is reported in the statement of activities

Cost of capital assets disposed	48,798	
Accumulated depreciation on capital assets disposed	<u>48,798</u>	
		<u>-</u>

Change in net position of governmental activities \$ (49,635)

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - South Central Human Resource Agency (the Agency) was formed on July 11, 1973 in accordance with the *Human Resource Agency Act of 1973*. This legislation established four metropolitan and up to nine rural human resource agencies to deliver human resource programs across the State of Tennessee. The Agency was chartered as a public non-profit corporation on February 19, 1975. The Agency delivers a variety of programs to economically disadvantaged, elderly, and disabled individuals in 13 counties of south central Tennessee: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The Agency is governed by a 64-member Governing Board. The Governing Board consists of the county mayor of each county, the mayor of each municipality, thirteen community representatives, and one state senator and one state representative whose district lies within the area served by the Agency.

Reporting Requirements - As a human resource agency, the Agency is required to prepare its financial statements in conformity with generally accepted accounting principles (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basic Financial Statements - The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds). The Agency only has governmental funds.

Government-Wide Statements - The government-wide financial statements include the statement of net position and the statement of activities. In the statement of net position, the governmental funds are presented on a consolidated basis, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net position is reported in two parts: net investment in capital assets and unrestricted. The Agency had no restricted net position as of June 30, 2015 or during the year then ended. In addition, the Agency has not incurred nor does it expect to incur any expenses for which both restricted and unrestricted net position is available. The statement of activities presents a comparison of expenses and revenues for each major function/program of the Agency. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function/program. Indirect costs represent allocated administrative costs. Revenues include (a) charges for services offered and other income recognized by a particular function/program and (b) operating grants and contributions that are restricted to meeting the operational requirements of a particular program. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements - The fund statements provide information about the Agency's funds. The Agency has two major governmental funds. It has no nonmajor governmental funds.

General Fund - This is the Agency's primary operating fund. It accounts for all financial activity that is not required to be accounted for in the special revenue fund. All general receipts that are not allocated by law or contractual agreement to a special revenue fund are accounted for in this fund. The general fund also pays general operating expenditures and capital improvement costs that are not paid through a special revenue fund.

Special Revenue Fund - This fund is used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. Excess expenditures of this fund are financed with a transfer from the general fund. The transfer from the general fund for the fiscal year totaled \$18,819. The interfund balance of \$188,313 due to the general fund as of June 30, 2015 will be repaid as cash flows permit.

The Agency's fund balance is reported in two parts: nonspendable and unassigned. The Agency's nonspendable fund balance consists of the amount spent on prepaid expenses. The Agency had no restricted fund balance as of June 30, 2015. In addition, the Agency does not have, nor does it expect to have, any committed or assigned fund balances or any expenditures for which more than one resource classification is available.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 contributions are non-exchange transactions and are recognized as revenue as soon as all requirements imposed by the grantor or contributor have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e. when they are “measurable” and “available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds.

The Agency considers all revenues available if they are collected within 60 days after year-end. Grant funds received by the Agency before it has a legal claim to them, such as advances, or prior to the incurrence of qualifying expenditures, are reported as liabilities. The liability is removed and revenue is recognized in subsequent periods once the revenue recognition criteria are met and the Agency has a legal claim to the resources.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventories - Inventories consist of food commodities received that have not yet been distributed to eligible households. The value of each commodity item in inventory is provided by the grantor, the State of Tennessee, Department of Agriculture, with a corresponding amount included in due to funding source. Inventories are charged to expense in the period when the commodities are distributed. The Agency uses the first in first out (FIFO) method in determining the cost of inventory.

Capital Assets - Capital assets, which include building and improvements, vehicles, equipment, and land, are reported under governmental activities in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost if purchased or constructed. The cost of capital assets is depreciated using the straight-line method over the estimated useful lives (5 - 40 years). The costs for normal maintenance and repairs that do not add value to the assets or materially extend the lives of the assets are not capitalized.

Federal, State, and Local Agency Grant Funds - Funds used to operate many of the Agency’s programs are made available through federal, state, and local agency grants. Revenues are recognized at the time allowable costs are incurred. The Agency’s policy is to expend federal, state, and local agency grant funds which are restricted as to purpose before using unrestricted funds to pay for program expenses. In addition, since the Agency receives grant funds on both an advance and cost-reimbursement basis, either a receivable or a liability may exist at the end of the Agency’s fiscal year.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Leave - Annual leave is expensed during the period in which it is earned. Eligible full time employees who have been employed by the Agency for up to five years accrue 1 day of vacation per month. Eligible full time employees with more than five years of service with the Agency accrue 1 1/2 days of vacation per month. These employees may carry over up to 225 hours (30 days) of accrued vacation leave from the preceding fiscal year. Any vacation leave accrued in excess of 225 hours may be transferred to sick leave to the extent that sick leave is not maximized. The liability for accrued leave recognized in the financial statements represents accrued vacation leave for all eligible employees as of June 30, 2015.

Sick leave is expensed when paid. The Agency's sick leave policy permits the accumulation of 12 sick days per year up to a maximum of 180 days. Employees are not paid for unused sick days upon termination of employment. Accordingly, no liability for unused sick leave has been recognized in the financial statements as of June 30, 2015.

Income Taxes - As a governmental entity, the Agency is exempt from federal and state income taxes. The Agency is also a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agency was notified by the Internal Revenue Service (IRS) in 2012 that it must begin filing Form 990, *Return of Organization Exempt from Income Tax*, on an annual basis effective for the year ended June 30, 2011. Forms 990s for the years ending June 30, 2012 and thereafter are subject to examination by the IRS, generally for three years after the date the returns are filed.

Net Position and Fund Balances

Net position in governmental-wide financial statements is classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either imposed externally by grantors and others or by law. The Agency had no restricted net position as of June 30, 2015 or during the year then ended.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e. prepaid expenses) or are legally or contractually required to be maintained intact.

Restricted fund balance is the portion of fund balance that can only be used for specific purposes imposed externally by grantors and others or by law. The Agency has no restricted fund balance as of June 30, 2015 or during the year then ended.

Committed fund balance is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Agency's governing board (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing board. The Agency has no committed fund balance as of June 30, 2015 or during the year then ended.

Assigned fund balance is the portion of fund balance that the Agency intends to use for specific purposes as determined by the Agency's governing board. The Agency has no assigned fund balance as of June 30, 2015 or during the year then ended.

Unassigned fund balance is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes.

Budgetary Accounting - The Agency receives funds under various grants and contracts which end on various budget cycles. Accordingly, there is not an annual appropriated budget for the Agency and no budgetary comparison has been included in the financial statements.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Indirect Cost Allocation - The Agency accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program's total direct expenditures. Administrative costs are those costs incurred for the common benefit of all agency programs that cannot be readily identified with a final cost objective. This plan has been approved by the United States Department of Health and Human Services.

Concentrations of Credit Risk - Financial instruments, which potentially subject the Agency to concentrations of credit risk, consist primarily of cash and receivables. Cash deposits are held in federally insured banks. The Agency's receivables are primarily due from federal, state and local agencies. Accordingly, management does not believe significant credit risk exists at June 30, 2015.

New Accounting Pronouncements - Adoption of the following statements during the year ended June 30, 2015 did not have any material impact on the Agency's financial statements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to June 30, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of this report, which is the date these financial statements were available to be issued.

NOTE 2 - RECEIVABLES

Receivables from grantor agencies and others as of June 30, 2015 consisted of the following:

Federal	\$ 666,101
State	364,205
Other	<u>189,358</u>
	<u>\$ 1,219,664</u>

NOTE 3 - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits (including the certificate of deposit) may not be returned to it. The Agency minimizes this risk by requiring full collateralization on all demand deposit accounts in excess of federally insured limits except when the institution belongs to the State of Tennessee Bank Collateral Pool (the "Pool"). Banks participating in the Pool determine the aggregate balance of their public fund accounts for the Agency. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the Pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the Pool may also be required by agreement to pay an assessment to cover any deficiency. Consequently, public fund accounts covered by the Pool are considered to be fully insured for purposes of credit risk disclosure.

At June 30, 2015, the carrying amount of the Agency's deposits, including the certificate of deposit, was \$1,741,255, and bank balances, which totaled \$2,093,848, were fully insured or collateralized.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)

NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 consisted of the following:

Governmental activities:	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Building and improvements	2,392,129	-	-	2,392,129
Vehicles	851,182	91,736	-	942,918
Equipment	396,524	11,607	(48,798)	359,333
Total capital assets being depreciated	3,639,835	103,343	(48,798)	3,694,380
Less accumulated depreciation for:				
Building and improvements	453,805	89,993	-	543,798
Vehicles	791,785	31,635	-	823,420
Equipment	357,530	12,519	(48,798)	321,251
Total accumulated depreciation	1,603,120	134,147	(48,798)	1,688,469
Total capital assets being depreciated, net of accumulated depreciation	2,036,715	(30,804)	-	2,005,911
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 2,061,715</u>	<u>\$ (30,804)</u>	<u>\$ -</u>	<u>\$ 2,030,911</u>

Depreciation expense for the year ended June 30, 2015 was \$134,147.

NOTE 5 - OPERATING LEASE AGREEMENTS

The Agency leases real estate, vehicles, and equipment for operation of its programs. Rent for the year ended June 30, 2015 totaled \$487,064 including allocated building costs of \$200,086. All of the Agency's leases are cancelable with thirty days notice in the event that the Agency loses federal or state funding for any program which utilizes leased property.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)

NOTE 6 - DEFINED CONTRIBUTION PLANS

Tax-Deferred Annuity Plan

The Agency has adopted the Section 403(b) Non-ERISA Tax-Deferred Annuity Plan (the "Annuity Plan") sponsored by Mutual of America Life Insurance Company ("Mutual of America"). Mutual of America is also the administrator of the Annuity Plan. Employees are eligible to participate in the Annuity Plan on the first day of employment. The Annuity Plan only permits contributions from employees that are excludable from gross income ("pre-tax" under the Internal Revenue Code; it does not provide for any other contributions by the Agency or employees. Employee contributions in any taxable year are also subject to certain statutory limitations. Employees who have fifteen years of service or who have attained age fifty before the end of the Plan year are eligible to make catch-up contributions. Employees may also contribute amounts representing distributions from other qualified defined benefit or contribution plans ("rollovers"). Employee contributions are invested in the participant's individual account after each payroll period and are fully vested. Employee contributions to the Annuity Plan totaled \$181,778 for the year ended June 30, 2015.

Money Purchase Pension Plan

The Agency also has adopted the Mutual of America Life Insurance Company Defined Contribution Pension Plan (the "Pension Plan"). The Agency is also the administrator of the Pension Plan. Employees are eligible to participate in the Pension Plan after six months of eligible service. The Agency makes matching contributions to the Plan based on each eligible employee's base salary provided that the employee contributes at least 2% of his/her base salary to the Annuity Plan. The Agency contributes 5% for eligible employees with less than fifteen years of service and 8% for eligible employees with fifteen or more years of service. The matching contributions are invested in the participant's individual account after each payroll period and are fully vested after one year of vesting service. Employer contributions forfeited by terminated employees are used to reduce the Agency's current matching contributions. Employer contributions for the year ended June 30, 2015 to the Pension Plan totaled \$219,275.

Both Plans

An individual account is maintained for each participant which reflects (a) the total amount of contributions, transfers and other additions that are allocated to such account on the participant's behalf and the earnings thereon, (b) any payments or withdrawals on the participant's behalf from such accounts, and (c) any expenses of such accounts attributable to the participant's interest therein. All contributions are invested in group annuity contracts issued by Mutual of America. Participants direct the investment of their contributions into the investment options offered by the plans. The plans currently offer fixed interest and variable investment options through their group annuity contracts issued by Mutual of America. Participants may generally change their investment options on a daily basis. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Distribution of benefits may only occur after certain qualifying events such as attainment of age 59 ½, termination of employment, death, or disability. Although the Agency expects the plans to remain in effect indefinitely, the Agency reserves the right to amend or terminate the plans at any time with approval from the Governing Board.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements (Continued)

NOTE 7 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Agency protects itself from potential loss through participation in the Tennessee Municipal League Risk Management Pool (the "Pool") for commercial general and personal injury liability; property and crime liability, public officers' liability; automobile liability, and workers' compensation. The Agency's agreement with the Pool provides for payment of annual premiums for coverage. The agreement also provides for refunds or additional assessments to members based on the experience of the Pool. Additional member assessments have not been imposed in any of the past three fiscal years. Additionally, the Agency carries excess liability insurance through the State of Tennessee's Self Insurers Risk Retention Group, Inc., specialized insurance coverages through various commercial insurance policies for some of its programs, and additional employee dishonesty coverage specific to its pension plan. There have been no significant reductions in insurance coverage from coverage in the prior year by major categories of risk. In addition, the amount of settled claims did not exceed insurance coverage in any of the past three fiscal years.

The Agency also participates in the State of Tennessee's Employee Group Insurance Fund (the "Fund"). This is an internal service fund of the State that provides a program of health insurance coverage for the employees of the Agency with the risk retained by the State. The Fund allocates the cost of providing claims servicing and claims payment by charging a premium to the Agency. The cost allocation is based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The Agency's obligation under the plan is limited to 80 percent of the total premium for its employees.

NOTE 8 - CONCENTRATIONS

Approximately 75% of the Agency's revenues for 2015 came from direct and pass-through federal grants. Approximately 60% of the Agency's program revenues for 2015 were from two programs. The Agency is economically dependent on federal and state funding in order to carry out its various programs.

NOTE 9 - IN-KIND CONTRIBUTIONS

The Agency is required to obtain local support in the form of in-kind contributions to match federal and state funding on various grants. These contributions are in the form of rent-free use of space; volunteer labor, supervision and services; and other non-cash contributions provided by individuals, private organizations, and local governments. The amount of in-kind revenue is also recognized as expense so the effect on the Agency's operations is zero. In-kind revenues and expenses are not included in the basic financial statements and totaled \$2,175,637 for the year ended June 30, 2015.

NOTE 10 - CONTINGENCIES

Substantially all of the Agency's revenues and related receivables are provided through grants or contracts with federal, state and local agencies. The Agency's compliance with the requirements of these grants and contract is subject to audit or other verification at the discretion of applicable agency. Management is not aware of any deficiencies or other noncompliance issues which, upon ultimate resolution, would have a material adverse impact on the financial statements of the Agency.

In addition, the operations of the Agency are subject to the administrative directives, rules and regulations of these agencies. Such administrative directives, rules and regulations are subject to change by an act of the United States Congress or its designees. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Under Section 4-29-236 of the *Tennessee Code Annotated*, the Agency is scheduled to terminate on June 30, 2021.

SUPPLEMENTARY INFORMATION

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Schedule of Indirect Costs

Year Ended June 30, 2015

Salaries	\$	539,971
Fringe benefits		239,394
Rent and leases		77,030
Travel - out of area		34,392
Contract services		32,580
Insurance and bonding		24,535
Office supplies		11,059
Professional services		5,889
Telephone		5,128
Printing and duplication		4,783
Other		4,232
Postage		4,105
Maintenance and repairs		3,916
Renovations		3,395
Transportation		1,976
Vehicles and equipment		1,298
Travel - in area		1,196
Program supplies		465
Non expendable supplies		280
Participant costs		<u>75</u>
	\$	<u>995,699</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Insurance Coverage
Year Ended June 30, 2015

	<u>Amount</u>
A. Commercial General Liability and Personal Injury Liability Protection	
Policy No. TML-0282-15	
Policy Period: 7/01/14-7/01/15	
Bodily injury or personal injury (per person)	\$ 300,000
Bodily injury or personal injury (per occurrence)	700,000
Property damage (per occurrence)	100,000
Fire damage/impounded property damage/non-monetary defense cost	100,000
Other loss (per occurrence)	1,000,000
Deductible	None
B. Real and Personal Property and Crime	
Policy No. TMP-0538-15	
Policy Period: 7/01/14-7/01/15	
Building and personal property	6,398,330
EDP equipment	377,085
Flood (per occurrence)	1,000,000
Earthquake (per occurrence)/newly acquired property	1,500,000
Rental values/construction/demolition/debris/consequential loss	500,000
Leasehold Interest/extra expense/terrorism (per occurrence)	500,000
Property in transit/accounts receivable/valuable papers & records/loss of revenue	250,000
EDP Media/Software	100,000
Personal effects	50,000
Deductible (per occurrence)	1,000
C. Public Officers Liability	
Policy No. TML-0282-15	
Policy Period: 7/01/14-7/01/15	
Limit for errors and omissions	1,000,000
Deductible (per occurrence)	None
D. Automobile Insurance	
Policy No. TML-0282-015	
Policy Period: 7/01/14-7/01/15	
Bodily injury (per person)	300,000
Bodily injury (per occurrence)	700,000
Property damage (per occurrence)	100,000
Other loss (per occurrence)	1,000,000
Deductibles (comprehensive/collision)	100/250
E. Workers Compensation	
Policy No. TWC-0211-16	
Policy Period: 7/01/14-7/01/15	
Bodily injury (per accident)	300,000
Bodily injury by disease (policy limit)	700,000
Bodily injury by disease (per employee)	300,000
Deductible	None

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Insurance Coverage (Continued)

	<u>Amount</u>
F. Personal Liability Insurance for South Central Human Resource Agency Volunteers Policy No. TNFAYE1 Policy Period: 7/01/14-7/01/15	
Personal injury or property damage (per occurrence)	1,000,000
Annual aggregate (for both combined)	3,000,000
Deductible	None
G. Accident Insurance for South Central Human Resource Agency Volunteers Policy No. MHH010303 Policy Period: 7/01/14-7/01/15	
Principal sum	2,500
Capital sum	2,500
Medical indemnity (per occurrence)	50,000
Deductible	None
H. Excess Automobile Liability Insurance for South Central Human Resource Agency Volunteers Policy No. TNFAYE1 Policy Period: 7/01/14-7/01/15	
Per accident or loss	500,000
Deductible	None
I. Special Accident for Head Start Program Policy No. 83 SR 193351 Policy Period: 9/22/14-9/22/15	
Accidental dismemberment	10,000
Medical expenses (per occurrence)	10,000
Death benefit (per occurrence)	5,000
Accident medical expense benefit (max)	25,000
Dental limit	1,000
J. Special Accident for Early Head Start Centers (Children) Policy No. 50202928907345001 Policy Period: 8/23/14-8/23/15	
Accidental death	5,000
Accidental dismemberment (per occurrence)	15,000
Accident medical expense (per occurrence)	25,000
K. Special Accident Insurance for Early Head Start Centers (Mothers) Policy No. 50202928807345001 Policy Period: 8/23/14-8/23/15	
Accidental death	5,000
Accidental dismemberment	10,000
Accidental medical expense	10,000

(Continued)

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Insurance Coverage (Continued)

	<u>Amount</u>
L. Accident Insurance for Retired Senior Program Volunteers	
Policy No. TNFAYE	
Policy Period: 7/01/14-7/01/15	
Principal sum	2,500
Capital sum	2,500
Medical indemnity (per insured)	50,000
Deductible	None
M. Personal Liability Insurance for Retired Senior Volunteer Program	
Certificate No. TNFAYE	
Policy Period: 7/01/14-7/01/15	
Personal injury or property damage (per occurrence)	1,000,000
Annual aggregate for both combined	3,000,000
Deductible	None
N. Excess Automobile Liability Insurance for Retired Senior Volunteer Program	
Certificate No. TNFAYE	
Policy Period: 7/01/14-7/01/15	
Maximum payment per accident or loss	500,000
Deductible	None
O. Personal Liability Insurance for Foster Grandparent Program Volunteers	
Certificate No. TNFAYE3	
Policy Period: 7/01/14-7/01/15	
Personal injury or property damage (per occurrence)	1,000,000
Annual aggregate for both combined	3,000,000
Deductible	None
P. Excess Automobile Liability Insurance for Foster Grandparent Volunteers	
Certificate No. TNFAYE3	
Policy Period: 7/01/14-7/01/15	
Maximum payment per accident or loss	500,000
Deductible	None
Q. Accident Insurance for Foster Grandparent Program	
Policy No. MHH010303	
Policy Period: 7/01/14-7/01/15	
Principal sum	2,500
Capital sum	2,500
Medical indemnity (per insured)	50,000

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Insurance Coverage (Continued)

	<u>Amount</u>
R. Accident Insurance for Community Correction Program Volunteers	
Policy No. MHH010303	
Policy Period: 7/01/14-7/01/15	
Principal sum	2,500
Capital sum	2,500
Medical indemnity (per occurrence)	50,000
Deductible	None
S. Crime Coverage	
Policy No. TMP 538-15	
Policy Period: 7/1/14-7/01/15	
Employee dishonesty (per occurrence per employee)	150,000
Forgery or alteration	150,000
Theft, disappearance, or destruction	150,000
Computer fraud	150,000
T. Employee Dishonesty Coverage for Agency Pension Plan	
Policy No. CBP5255703	
Policy Period: 7/9/12-7/09/15	
Limit of insurance	500,000

SOUTH CENTRAL HUMAN RESOURCE AGENCY
 Schedule of Agency Officials
 June 30, 2015

POLICY COUNCIL

COUNTY	PROVIDER MEMBER COUNTY EXECUTIVE	CONSUMER MEMBER
BEDFORD	Co. Mayor Eugene Ray One Public Sq., Suite 101 Shelbyville, TN 37160	Mr. Will P. Martin 110 Scotland Heights Shelbyville, TN 37160
COFFEE	Co. Mayor Gary Cordell 1329 McArthur St. #1 Manchester, TN 37355	Mr. Charles E. Sain 781 Spry Road Bradyville, TN 37026
FRANKLIN	Co. Mayor Richard Stewart No. 1 South Jefferson St. Winchester, TN 37398	Ms. Melanie Smith 826 Marshall Rd. Belvidere, TN 37306
GILES	Co. Mayor Janet Vanzant * P. O. Box 678 Pulaski, TN 38478	Ms. Priscilla McNairy 1100 Gimlet Creek Rd. Lawrenceburg, TN 38464
HICKMAN	Co. Mayor Shaun Lawson 114 N. Central Ave., Suite 204 Centerville, TN 37033	Ms. Shirley DeVore 109 Morrison St. Centerville, TN 37033
LAWRENCE	Co. Exec. T. R. Williams 200 West Gaines, Suite 201 Lawrenceburg, TN 38464	Ms. Sandy Calvert 220 Centennial Blvd. Lawrenceburg, TN 38464
LEWIS	Co. Mayor Bill Webb Lewis County Courthouse 110 Park Ave. N., Rm 108 Hohenwald, TN 38462	Ms. Sue Turnbow 536 N. Park St. Hohenwald, TN 38462
LINCOLN	Co. Mayor Bill Newman 112 Main Ave. South, Rm 101 Fayetteville, TN 37334	Mr. Willie Lee Leslie 28 Providence Rd. Fayetteville, TN 37334
MARSHALL	Co. Mayor Joe Boyd Liggett * 1108 Courthouse Annex Lewisburg, TN 37091	Ms. Barbara Boyett 443 Joyce Avenue Lewisburg, TN 37091
MAURY	Co. Mayor Charlie Norman 101 Maury County Courthouse Columbia, TN 38401	Mr. Eugene Richardson 2127 Polk Dr. Columbia, TN 38401
MOORE	Co. Mayor Sloan Stewart P. O. Box 206 Lynchburg, TN 37352	Mr. Dolan Eady 250 Main St. Lynchburg, TN 37352

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Agency Officials (Continued)

POLICY COUNCIL (Continued)

COUNTY	PROVIDER MEMBER COUNTY EXECUTIVE	CONSUMER MEMBER
PERRY	County Mayor Terry Richardson P. O. Box 16 Linden, TN 37096	Ms. Joanne Lord * 3081 Cedar Creek Rd. Linden, TN 37096
WAYNE	Co. Mayor Jason Rich P. O. Box 848 Waynesboro, TN 38485	Mr. David Duren 199 Duren Lane Waynesboro, TN 38485
HEAD START POLICY COUNCIL REPRESENTATIVE:		Ms. Nancy Hibler 85 Lindburgh Ave. Winchester, TN 37398

* Officers: Chairperson - Mayor Janet Vanzant; Vice Chairman - Mayor Joe Boyd Liggett; Secretary - Joanne Lord

Executive Director: Mr. James (Coy) Anderson

Director of Fiscal Operations: Mr. James Reynolds

Human Resource Manager: Ms. Scarlet Patterson

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Beginning Accrued (Deferred)	Receipts	Expenditures	Ending Accrued (Deferred)
<u>Direct Programs</u>						
<u>U.S. Department of Health and Human Services</u>						
Head Start	93.600	04CH4650/01	\$ (415,316)	\$ 415,316	\$ -	\$ -
Head Start	93.600	04CH4650/02	-	7,314,404	7,706,447	(392,043)
Head Start	93.600	04HP0017/01	-	157,991	396,442	(238,451)
Total	93.600		(415,316)	7,887,711	8,102,889	(630,494)
<u>Corporation for National and Community Service</u>						
Foster Grandparent Program	94.011	12GXSTN002	(11,506)	243,110	267,175	(35,571)
Total	94.011		(11,506)	243,110	267,175	(35,571)
<u>Pass Through Programs</u>						
<u>U.S. Department of Labor, passed through from Senior Service America, Inc.</u>						
Senior Community Service Employment Program	17.235	AD-24194-13-55-A-24	(4,617)	4,617	-	-
Senior Community Service Employment Program	17.235	AD-25533-14-55-A-24	-	635,870	646,770	(10,900)
Total	17.235		(4,617)	640,487	646,770	(10,900)
<u>U.S. Department of Health and Human Services, passed through from Tennessee Housing Development Agency</u>						
Low-Income Home Energy Assistance	93.568	LIHEAP-14-15	(515,226)	1,194,980	679,754	-
Low-Income Home Energy Assistance	93.568	LIHEAP-15-15	-	3,099,898	3,159,608	(59,710)
Total	93.568		(515,226)	4,294,878	3,839,362	(59,710)

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal and State Awards (Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Beginning Accrued (Deferred)	Receipts	Expenditures	Ending Accrued (Deferred)
<u>Pass Through Programs (Continued)</u>						
<u>U.S. Department of Health and Human Services, passed through from State of Tennessee Department of Human Services (Continued)</u>						
Community Services Block Grant	93.569	Advance	34,317	(34,317)	-	-
Community Services Block Grant	93.569	Z-14-49116	(107,969)	107,969	-	-
Community Services Block Grant	93.569	Z-15-49116	-	543,493	762,016	(218,523)
	Total 93.569		(73,652)	617,145	762,016	(218,523)
Social Services Block Grant	93.667	Z-14-49316	(24,151)	24,151	-	-
Social Services Block Grant	93.667	Z-15-49316	-	167,331	190,989	(23,658)
	Total 93.667		(24,151)	191,482	190,989	(23,658)
<u>U.S. Department of Agriculture, passed through from State of Tennessee Department of Agriculture</u>						
Child and Adult Care Food Program	10.558	34756026001	(27)	355,908	355,948	(67)
	Total 10.558		(27)	355,908	355,948	(67)
Emergency Food Assistance Program (Administrative Costs)	10.568	43139	(13,449)	54,348	40,899	-
Emergency Food Assistance Program (Administrative Costs)	10.568	45925	-	43,820	50,142	(6,322)
	Total 10.568		(13,449)	98,168	91,041	(6,322)
Emergency Food Assistance Program (Commodities)	10.569	N/A	228,391	303,278	353,285	178,384
	Total Food Distribution Cluster		214,942	401,446	444,326	172,062
<u>U.S. Department of Health and Human Services, passed through from South Central Tennessee Development District</u>						
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Congregate Nutrition Services	-	474,050	474,050	-
Nutrition Services Incentive Program	93.053	Services	-	69,000	69,000	-
	Total Aging Cluster		-	543,050	543,050	-

(Continued)

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal and State Awards (Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Beginning Accrued (Deferred)	Receipts	Expenditures	Ending Accrued (Deferred)
<u>Pass Through Programs (Continued)</u>						
<u>U.S. Department of Energy, passed through from Tennessee Housing Development Agency</u>						
Weatherization Assistance for Low-Income Persons	81.042	WAP-12-10	(80,149)	84,631	9,488	(5,006)
Total	81.042		(80,149)	84,631	9,488	(5,006)
<u>U.S. Department of the Treasury, passed through from United Way of Metropolitan Nashville</u>						
Volunteer Income Tax Assistance	21.003	V14157	(3,665)	3,665	-	-
Volunteer Income Tax Assistance	21.003	15VITA0214	-	21,410	23,488	(2,078)
Total	21.003		(3,665)	25,075	23,488	(2,078)
Total - Federal Programs			(913,367)	15,284,923	15,185,501	(813,945)
<u>State Programs</u>						
State of Tennessee Department of Corrections	N/A	37170	(50,614)	50,614	-	-
State of Tennessee Department of Corrections	N/A	41931	-	388,909	436,929	(48,020)
Total - State Programs			(50,614)	439,523	436,929	(48,020)
Total - All Programs			\$ (963,981)	\$ 15,724,446	\$ 15,622,430	\$ (861,965)

See independent auditors' report.
See accompanying note to schedule of expenditures of federal and state awards.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the schedule) includes the federal and state grant activity of South Central Human Resource Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the Agency had food commodities totaling \$178,384 in inventory.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Summary of Auditors' Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of South Central Human Resource Agency (the "Agency").
2. No significant deficiencies or material weaknesses are reported in the 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*.
3. No instances of noncompliance or other matters material to the financial statements of the Agency were disclosed during the audit.
4. One significant deficiency in internal control over compliance disclosed during the audit is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
5. The Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 expresses an unmodified opinion on each major federal program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.600	Head Start
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Commodities)

8. The threshold for distinguishing Type A and Type B programs was \$455,565.
9. The Agency was determined to be a low-risk auditee.

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

Department of Agriculture

Program: Emergency Food Assistance Program (Commodities) (CFDA No. 10.569)

Reference Number: 2015-001

Condition: The Agency did not maintain accurate and complete records with respect to the receipt, distribution/use, and inventory of USDA foods throughout the fiscal year.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs (Continued)

Findings and Questioned Costs - Major Federal Award Programs (Continued)

Criteria: Accurate and complete records must be maintained with respect to the receipt, distribution/use, and inventory of USDA foods.

Questioned Costs: None

Cause: The Agency did not have proper policies and procedures in place throughout the year to ensure that records with respect to the receipt, distribution/use, and inventory of USDA foods were accurate and complete.

Effect: Errors were reported for some inventory items on the TEFAP Monthly Inventory Reports submitted to the grantor agency.

Context: The Agency is required to submit monthly reports to its grantor agency reflecting the corresponding inventory activity. As reported in Finding 2014-001 in the prior year, a comparison of activity reflected on the monthly reports to the units on hand at June 30, 2014 resulted in unexplained variances for certain inventory items. While Agency management revised its policies and procedures in the current year to improve its inventory reporting practices, errors were still reported for some inventory items on the monthly reports submitted to the grantor agency in the current fiscal year.

Recommendation: Policies and procedures should be further refined to ensure that records with respect to the receipt, distribution/use, and inventory of USDA foods are accurate and complete.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. Policies and procedures have been further refined to ensure that records with respect to the receipt, distribution/use, and inventory of USDA foods are accurate and complete.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Department of Agriculture

Program: Emergency Food Assistance Program (Commodities) (CFDA No. 10.569)

Reference Number: 2014-001

Condition: The Agency did not maintain accurate and complete records with respect to the receipt, distribution/use, and inventory of USDA foods.

Recommendation: Policies and procedures should be implemented to ensure that records with respect to the receipt, distribution/use, and inventory of USDA foods are accurate and complete.

Current Status: While Agency management revised its policies and procedures in the current year to improve its inventory reporting practices, errors were still reported for some inventory items on the monthly reports submitted to the grantor agency in the current fiscal year (see Finding 2015-001).

SOUTH CENTRAL HUMAN RESOURCE AGENCY

1437 Winchester Highway
Fayetteville TN 37334

Corrective Action Plan

January 28, 2016

Department of Health & Human Services,
Administration for Children & Families,
Office of Head Start
18th Floor Portals Building
1250 Maryland Ave, SW
Washington DC 20024

The South Central Human Resource Agency respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

Rodefer Moss & Co, PLLC
3011 Armory Drive, Suite 290
Nashville, TN 37204

Audit Period: Fiscal year ended June 30, 2015

The finding from the June 30, 2015 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Findings - Financial Statement Audit

None

Findings - Federal Award Programs Audits

2015-001 Emergency Food Assistance Program (Commodities) - CFDA No. 10.569

Recommendation: Policies and procedures should be further refined to ensure that records with respect to the receipt, distribution/use, and inventory of USDA foods are accurate and complete.

Action Taken: Policies and procedures have been further refined to ensure that records with respect to the receipt, distribution/use, and inventory of USDA foods are accurate and complete. In addition, the Program Coordinator and another person will continue to perform inventory counts at the end of each month to verify what is in the warehouse. This information will be compared to the items that have been received and distributed and any variances investigated.

If the Administration for Children & Families has questions regarding this plan, please contact James Coy Anderson at (931) 433-7182

Sincerely yours,

James Coy Anderson, Executive Director

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*

Governing Board
South Central Human Resource Agency
Fayetteville, Tennessee

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 and each major fund of South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roderic Mass & Co, PLLC

Nashville, Tennessee
January 28, 2016

Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133

Governing Board
South Central Human Resource Agency
Fayetteville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited South Central Human Resource Agency's (the "Agency") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2015. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The Agency's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Roderic Mess & Co, PLLC

Nashville, Tennessee
January 28, 2016