

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Financial Statements with Supplementary Information

Year Ended June 30, 2014

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Financial Statements with Supplementary Information  
Year Ended June 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	16
Notes to Financial Statements	17
Supplementary Information:	
Schedule of Indirect Costs	24
Schedule of Insurance Coverage	25
Schedule of Agency Officials	29
Schedule of Expenditures of Federal and State Awards	31
Notes to Schedule of Expenditures of Federal and State Awards	34
Schedule of Findings and Questioned Costs	35
Corrective Action Plan	37
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 <i>Government Auditing Standards</i>	38
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	40

## 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, 2014, 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, 2014, 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*

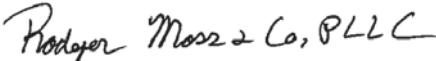
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of 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 29, 2015, 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 29, 2015

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Management's Discussion and Analysis  
June 30, 2014

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, 2014. 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 2014, SCHRA had in place 13 Neighborhood Service Centers, 21 Head Start Centers, 23 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 2014, SCHRA delivered over 17 million dollars of services through grant/contract programs and employed approximately 390 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, 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 non-voting status is a Head Start Policy Council Representative, a Licensed Attorney, a Financial Management Representative, and an Early Childhood Representative to meet the requirements of the Head Start Act.

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.

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

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 2014 follow:

*Head Start Program*

The objective of the Head Start Program (which includes the Early Head Start Program), funded by the U.S. Dept. of Health and Human Services - Administration for Children and Families, is to promote school readiness by enhancing children's cognitive social and emotional development. Head Start serves pregnant women and children (birth to 5) and their families, who are under the poverty guideline or are eligible for public assistance. The program is composed of early childhood development and health services, family and community partnerships, and program design and management. 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 919 Head Start/Early Head Start enrolled and/or terminated children, with 92% receiving age appropriate preventive dental services, and 18 children receiving mental health services. There were numerous parents and community volunteers who provided services to our program throughout all 13 of our counties.

*Low Income Home Energy Assistance Program*

The Low Income Home Energy Assistance Program ("LIHEAP") was funded through the Tennessee Dept. of Human Services ("DHS") through September 30, 2013. Funding for the Agency's current grant contract is through 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 2014, a total of 8,347 clients received assistance totaling \$3,311,550. The new contract with THDA runs from October 1 through September 30.

*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. 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 2014, a total of 70,496 congregate meals and 65,336 home delivered meals were served to 706 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 14,936 meals to 79 clients, Family Caregiver provided 1,429 meals to 14 clients, and Long Term Care Choices provided 38,100 meals to 199 clients.

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

*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 2014, 262 clients were assisted in twenty one Tennessee counties and seven other states. Funds distributed to/on behalf, of clients for the year totaled \$1,859,780.

*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. Without these additional dollars, the Nutrition Congregate Program would be in operation only four days per week. This would mean that 1,850 to 2,000 meals per month would be cut and a higher number of seniors would not be served in communities served by the Agency. During fiscal year 2014, these kitchens supplied 206,357 meals for the Agency's Senior Nutrition Program and 24,106 meals for its Head Start Program. Other catering engagements both internal and public produced additional revenues of \$67,378.

*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 2014 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 2014, the CSBG Program served 11,008 unduplicated households.

*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 2014, 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 2014 a total of 133 clients were served. The program met the goal of 24 placements for 2014.

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 2014, a total of 3,900 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 2014, Options provided 5,252 units of service, Family Caregiver provided 1,612 units of service, and Long Term Care Choices provided 17,372 units of service. These services were delivered to 103 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 2014, the Program served 464 clients who paid \$23,455 in victim restitution, \$15,995 in child support, and worked 10,821 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 2014, services were provided for 275 "at risk" children by 63 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. During fiscal year 2014, a total of 8,344 hours of service were provided to 98 clients.

*Weatherization Assistance Program*

The Weatherization Assistance Program ("WAP") strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by the Tennessee Housing Development Agency ("TDHA") to qualified housing units. The Agency received funding for fiscal year 2014 for operation of the Weatherization Assistance Program from funds passed through to the Agency by TDHA. Eligibility guidelines for this funding allowed households of up to 200% of federal poverty level to benefit. During fiscal year 2014, weatherization improvements totaling \$153,533 were made on 38 dwelling units. The funding and scope of this program have been drastically reduced due to the lack of federal funding.



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

**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.

**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.

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

**Government-Wide Financial Analysis**

**Net Position**

Table 1 below is a summary of the Agency's net position at June 30, 2014 with comparative data from June 30, 2013.

Table 1  
Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,663,148	\$ 1,771,246
Restricted assets	588,253	716,340
Capital assets	<u>2,061,715</u>	<u>2,066,064</u>
Total assets	<u>5,313,116</u>	<u>4,553,650</u>
Current liabilities	1,982,619	1,274,343
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>1,982,619</u>	<u>1,274,343</u>
Net position:		
Investment in capital assets, net of related debt	2,061,715	2,028,564
Restricted	-	459,000
Unrestricted	<u>1,268,782</u>	<u>791,743</u>
Total net position	<u>\$ 3,330,497</u>	<u>\$ 3,279,307</u>

The Agency's assets exceeded liabilities by \$3.33 million as of June 30, 2014. The Agency's net position increased \$51,190 for the fiscal year.

The largest portion (62%) of net position reflects the Agency's investment in capital assets (buildings and improvements, vehicles, equipment, and land) less related debt. The Agency uses these capital assets to provide services to clients; consequently, these assets are not available for future spending. The Agency's investment in capital assets as of June 30, 2013, is reported net of the outstanding related debt of \$37,500. The resources needed to repay this debt were provided by other sources, since the capital assets could not be used to liquidate these liabilities. Restricted net position as of June 30, 2013 represents the amount invested in a certificate of deposit that secured an irrevocable letter of credit which in turn, secured this debt until March 2014 when the debt was repaid.

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, 2014, with comparative data for June 30, 2013.

Table 2  
Change in Net Position

	<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Percentage of Funding</u>	<u>Amount</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$ 14,458,411	75.90%	\$ 15,706,755	77.02%
Charges for services and other income	<u>4,590,312</u>	<u>24.10%</u>	<u>4,687,296</u>	<u>22.98%</u>
Total revenues	<u>19,048,723</u>	<u>100.00%</u>	<u>20,394,051</u>	<u>100.00%</u>
Expenses:				
Head Start	7,234,964	37.98%	8,198,837	40.20%
Low Income Home Energy Assistance	3,747,264	19.67%	3,949,536	19.37%
Community Representative Payee Program	1,940,703	10.19%	1,751,440	8.59%
Nutrition Services for the Elderly	1,508,003	7.92%	1,593,773	7.81%
Food Service	1,141,481	5.99%	1,210,859	5.94%
Community Services Block Grant	695,668	3.65%	823,937	4.04%
Senior Community Service Employment	675,884	3.55%	667,989	3.28%
Homemaker Services for the Elderly	441,883	2.32%	501,242	2.46%
Community Corrections	480,823	2.52%	493,609	2.42%
Foster Grandparent	279,668	1.47%	287,852	1.41%
Social Services Block Grant	240,283	1.26%	258,547	1.27%
Weatherization Assistance	186,929	0.98%	79,095	0.39%
Emergency Food Assistance	110,476	0.58%	110,467	0.54%
State Appropriations, Agency & Other	<u>313,504</u>	<u>1.65%</u>	<u>389,133</u>	<u>1.91%</u>
Total expenses	<u>18,997,533</u>	<u>99.73%</u>	<u>20,316,316</u>	<u>99.62%</u>
Change in net position	51,190	<u>0.27%</u>	77,735	<u>0.38%</u>
Net position at beginning of year	<u>3,279,307</u>		<u>3,201,572</u>	
Net position at end of year	<u>\$ 3,330,497</u>		<u>\$ 3,279,307</u>	

Governmental activities showed an increase in net position of \$51,190 for the fiscal year compared to an increase in net position of \$77,735 for the prior year. This decrease is primarily due to a reduction in funding from certain grantor agencies for the fiscal year. Operating grants and contributions provided approximately 76% of the funds for governmental activities for the fiscal year compared to 77% in the prior year. 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, 2014, the Agency's governmental funds reported a combined balance of approximately \$1.269 million, an increase of \$18,039 over last year.

The general fund is the Agency's primary operating fund. Revenues exceeded expenditures in this fund by \$44,794 for the fiscal year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,234,584, with a total fund balance of \$1,268,782.

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 \$26,755 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, 2014, the Agency's capital assets totaled \$2,061,715 compared to \$2,066,064 in the prior fiscal year; a net decrease of \$4,349. These assets include buildings and improvements, vehicles, equipment, and land. Additions to capital assets totaled \$132,285 and net disposals totaled \$59,012 for the fiscal year. The Agency also recognized depreciation expense of \$136,634. Additional information on the Agency's capital assets can be found in Note 5 of the financial statements.

**Long-Term Debt**

The Agency had a non-interest bearing note payable to the Fayetteville Board of Public Utilities. The note was payable in monthly installments of \$3,750 and was secured by a \$450,000 irrevocable letter of credit. The outstanding balance on the note as of June 30, 2013 of \$37,500 was paid off during the current fiscal year. These payments were made from the general fund. Additional information about this note can be found in Note 4 of the financial statements.

**Factors Bearing on SCHRA's Future**

The Agency is dependent on federal and state funding in order to carry out its various programs. It expects to receive increased funding for 2015 due to the elimination of federal sequestration. It has also been awarded the Head Start Program through May 31, 2018. However, under Section 4-29-236 of the *Tennessee Code Annotated*, the Agency is scheduled to terminate on June 30, 2015. Management believes that the State of Tennessee will pass the necessary legislation to continue the Agency prior to the scheduled termination date.

**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 Fiscal Agent, South Central Human Resource Agency, P.O. Box 638, Fayetteville, TN 37334.

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Statement of Net Position

June 30, 2014

ASSETS		
Cash		\$ 690,727
Certificate of deposit		459,000
Receivables		1,479,223
Prepaid expenses		34,198
Restricted assets		
Cash		359,861
Inventories - commodities		228,392
Capital assets		
Buildings and improvements	2,392,129	
Vehicles	851,182	
Equipment	396,524	
Land	<u>25,000</u>	
	3,664,835	
Less accumulated depreciation	<u>1,603,120</u>	
Capital assets, net		<u>2,061,715</u>
Total assets		<u>5,313,116</u>
LIABILITIES		
Accounts payable	755,471	
Accrued payroll	173,136	
Accrued payroll taxes and employee benefits	111,718	
Due to funding source	656,741	
Accrued leave	247,633	
Accrued audit fee	<u>37,920</u>	
Total liabilities		<u>1,982,619</u>
NET POSITION		
Net investment in capital assets		2,061,715
Unrestricted		<u>1,268,782</u>
Total net position		<u>\$ 3,330,497</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Statement of Activities  
Year Ended June 30, 2014

Functions/Programs	Direct Expenses	Indirect Costs Allocated	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services and Other Income	Operating Grants and Contributions	
Governmental Activities:					
Program activities:					
Head Start	\$ 6,667,917	\$ 567,047	\$ 4,765	\$ 7,352,223	\$ 122,024
Low Income Home Energy Assistance	3,655,548	91,716	-	3,747,264	-
Community Representative Payee	1,934,002	6,701	1,950,010	-	9,307
Nutrition Services for the Elderly	1,465,938	42,065	972,595	494,110	(41,298)
Community Services Block Grant	639,740	55,928	4,692	694,741	3,765
Senior Community Service Employment	669,008	6,876	-	675,884	-
Homemaker Services for the Elderly	405,291	36,592	466,171	-	24,288
Community Corrections	441,008	39,815	36,545	445,885	1,607
Foster Grandparent	270,557	9,111	2,911	277,062	305
Social Services Block Grant	220,385	19,898	-	211,834	(28,449)
Weatherization Assistance	179,849	7,080	-	186,929	-
Emergency Food Assistance Program	99,714	10,762	826	110,476	826
Other	68,765	6,533	168	77,181	2,051
Support services:					
Food Service	1,046,954	94,527	1,125,902	-	(15,579)
State Appropriations, Agency & Other	230,540	7,666	25,727	184,822	(27,657)
Total	<u>\$ 17,995,216</u>	<u>\$ 1,002,317</u>	<u>\$ 4,590,312</u>	<u>\$ 14,458,411</u>	51,190
Net position at beginning of year					<u>3,279,307</u>
Net position at end of year					<u>\$ 3,330,497</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Balance Sheet - Governmental Funds  
June 30, 2014

	General	Special Revenue	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 683,451	\$ 7,276	\$ 690,727
Certificate of deposit	459,000	-	459,000
Receivables			
Funding sources and others	8,765	1,470,458	1,479,223
Due from special revenue fund	328,339	-	328,339
Prepaid expenses	34,198	-	34,198
Restricted assets			
Cash	1,573	358,288	359,861
Inventories - commodities	-	228,392	228,392
Total assets	\$ 1,515,326	\$ 2,064,414	\$ 3,579,740
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 66,408	\$ 689,063	\$ 755,471
Accrued payroll	38,109	135,027	173,136
Accrued payroll taxes and employee benefits	24,590	87,128	111,718
Due to funding sources	-	656,741	656,741
Due to general fund	-	328,339	328,339
Accrued leave	79,517	168,116	247,633
Accrued audit fee	37,920	-	37,920
Total liabilities	246,544	2,064,414	2,310,958
 <b>Fund Balances</b>			
Nonspendable	34,198	-	34,198
Unassigned	1,234,584	-	1,234,584
Total fund balances	1,268,782	-	1,268,782
Total liabilities and fund balances	\$ 1,515,326	\$ 2,064,414	\$ 3,579,740

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Reconciliation of the Balance Sheet - Governmental  
Funds to the Statement of Net Position  
June 30, 2014

Fund balances - total governmental funds \$ 1,268,782

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	3,664,835
Less accumulated depreciation	<u>1,603,120</u>

2,061,715

Net position of governmental activities \$ 3,330,497



SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds  
Year Ended June 30, 2014

	General	Special Revenue	Total Governmental Funds
<b>Revenues</b>			
Grantor contributions	\$ -	\$ 14,234,785	\$ 14,234,785
Performance based income	-	1,369,869	1,369,869
Program income	1,126,074	97,414	1,223,488
State and local contributions	184,822	38,804	223,626
Interest income	3,433	3	3,436
Other income	125,547	1,867,972	1,993,519
Total revenues	<u>1,439,876</u>	<u>17,608,847</u>	<u>19,048,723</u>
<b>Expenditures</b>			
Salaries	282,586	4,711,558	4,994,144
Fringe benefits	147,398	2,353,488	2,500,886
Participant costs	5,188	4,254,986	4,260,174
Food	539,090	1,328,715	1,867,805
Indirect costs	109,151	893,166	1,002,317
Contract services	-	417,838	417,838
Debt repayment	37,500	-	37,500
Insurance and bonding	14,284	47,573	61,857
Maintenance and repairs	23,302	243,043	266,345
Nonexpendable supplies	1,312	15,183	16,495
Office supplies	3,301	14,954	18,255
Other	14,835	1,906,608	1,921,443
Postage	6,930	14,716	21,646
Printing and duplication	1,483	8,154	9,637
Professional services	60,171	149,799	209,970
Program supplies	35,184	241,956	277,140
Renovations	4,132	27,168	31,300
Rent and leases	39,611	372,622	412,233
Telephone	2,014	122,666	124,680
Transportation	27,323	58,097	85,420
Travel - in area	348	117,026	117,374
Travel - out of area	449	98,112	98,561
Utilities	26,857	157,932	184,789
Vehicles and equipment	12,633	80,242	92,875
Total expenditures	<u>1,395,082</u>	<u>17,635,602</u>	<u>19,030,684</u>
Excess (deficiency) of revenues over expenditures	44,794	(26,755)	18,039
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	<u>(26,755)</u>	<u>26,755</u>	<u>-</u>
Net change in fund balances	18,039	-	18,039
Fund balances at beginning of year	<u>1,250,743</u>	<u>-</u>	<u>1,250,743</u>
Fund balances at end of year	<u>\$ 1,268,782</u>	<u>\$ -</u>	<u>\$ 1,268,782</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, 2014

Net change in fund balances - total governmental funds	\$	18,039
<p>Amounts reported for governmental activities in the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated lives</p>		
Expenditures for capital assets	132,285	
Current year's depreciation	136,634	(4,349)
<p>Governmental funds report proceeds from disposals of capital assets as revenues. However, the corresponding gain (loss) is reported in the statement of activities</p>		
Cost of capital assets disposed	59,012	
Accumulated depreciation on capital assets disposed	59,012	-
<p>Governmental funds report debt payments as expenditures. However, this repayment reduces long-term liabilities in the statement of net assets</p>		
		37,500
Change in net position of governmental activities	\$	51,190

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Notes to Financial Statements  
June 30, 2014

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. For the most part, the effect of interfund activity has been removed from these statements. The Agency's net position is reported in three parts: investment in capital assets, net of related debt, restricted net position and unrestricted net position. The statement of activities presents a comparison between expenses and program 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. Program revenue includes (a) charges for services offered by the programs and other program income and (b) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

**Fund Financial Statements** - The fund statements provide information about 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 \$26,755. The interfund balance of \$328,339 due to the general fund as of June 30, 2014 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, 2014. In addition, the Agency does not have, nor does it expect to have, any committed or assigned fund balance. The Agency also does not generally have, nor does it expect to have, expenditures for which both restricted and unrestricted fund balances 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 similar items are non-exchange transactions and are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include (a) charges for services offered by the programs and other program income and (b) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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 but which 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 of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized.

**Federal, State, and Local Agency Grant Funds** - Funds 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, 2014.

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, 2014.

**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 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, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were 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, 2014.

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, 2014.

*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, 2014.

*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, 2014.

*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, 2014.

**New Accounting Pronouncements** - Agency management has considered 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*, GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Agency management has determined that adoption of these statements will not have any material impact on the Agency's financial statements.

**Date of Management's Reviews** - The Agency has evaluated events and transactions through January 29, 2015, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

NOTE 2 - RECEIVABLES

Receivables from grantor agencies and others as of June 30, 2014 consisted of the following:

Federal	\$ 426,849
State	801,576
Other	<u>250,798</u>
	<u>\$ 1,479,223</u>

NOTE 3 - DEPOSITS AND CERTIFICATE OF DEPOSIT

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, 2014, the carrying amount of the Agency's deposits, including the certificate of deposit, was \$1,509,588, and bank balances, which totaled \$1,716,412, were fully insured or collateralized.

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

NOTE 4 - LONG-TERM LIABILITIES

Long-term liabilities as the beginning of the year consisted of a note payable to the Fayetteville Board of Public Utilities. The non-interest bearing note, which was paid off in fiscal 2014, was payable in monthly installments of \$3,750 and was secured by a \$450,000 irrevocable letter of credit. Prior to its expiration, this letter of credit was secured by the Agency's \$459,000 certificate of deposit. Payments on the note were made by the General Fund. The Agency had no other long-term liabilities as of June 30, 2014.

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Note payable - Fayetteville Board of Public Utilities	\$ 37,500	\$ -	\$ (37,500)	\$ -

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 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	2,278,112	114,017	-	2,392,129
Vehicles	851,182	-	-	851,182
Equipment	437,268	18,268	(59,012)	396,524
Total capital assets being depreciated	3,566,562	132,285	(59,012)	3,639,835
Less accumulated depreciation for:				
Building and improvements	370,658	83,147	-	453,805
Vehicles	750,136	41,649	-	791,785
Equipment	404,704	11,838	(59,012)	357,530
Total accumulated depreciation	1,525,498	136,634	(59,012)	1,603,120
Total capital assets being depreciated, net of accumulated depreciation	2,041,064	(4,349)	-	2,036,715
Governmental activities capital assets, net of accumulated depreciation	\$ 2,066,064	\$ (4,349)	\$ -	\$ 2,061,715

Depreciation expense for the year ended June 30, 2014 was \$136,634.

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

NOTE 6 - OPERATING LEASES AGREEMENTS

The Agency leases real estate, vehicles, and equipment for operation of its programs. Rent paid for real estate for the year ended June 30, 2014 totaled \$412,233 including allocated building costs totaling \$204,888. 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.

NOTE 7 - RETIREMENT PLANS

The Agency sponsors a Tax Deferred Annuity Plan (the "Annuity Plan") for employees of the Agency. Employees are eligible to participate in the Plan on the first day of employment. Employees may make pre-tax contributions to the Plan subject to limits set by the Internal Revenue Code. Contributions to the Annuity Plan are fully vested. Employee contributions for the year ended June 30, 2014 to the Annuity Plan totaled \$187,509.

The Agency also sponsors the South Central Human Resource Agency Pension Plan (the "Pension Plan"), a defined contribution money purchase pension plan. Employees are eligible to participate in the Pension Plan after six months of employment. The Agency makes a monthly contribution to the Plan based on each eligible employee's base salary provided that the employee contributes 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 Agency's contributions for each eligible employee (and earnings allocated thereon) are fully vested after one year of continuous service. Agency contributions for, and earnings forfeited by, employees who leave employment before one year of service are used to reduce the Agency's current period contribution requirement. Employer contributions for the year ended June 30, 2014 to the Pension Plan totaled \$215,645.

NOTE 8 - 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 9 - CONCENTRATIONS

Approximately 75% of the Agency's revenues for 2014 came from direct and pass-through federal grants. Approximately 58% of the Agency's program revenues for 2014 were from two programs. The Agency is economically dependent on federal and state funding in order to carry out its various programs.



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

NOTE 10 - 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 \$2,288,523 for the year ended June 30, 2014.

NOTE 11 - UNCERTAINTIES

Substantially all of the Agency's revenues and related receivables are provided through grants and contracts with federal, state and local agencies. In addition, the operations of the Agency are subject to the administrative directives, rules and regulations of these federal, state and local 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.

NOTE 12 - TERMINATION OF AGENCY

Under Section 4-29-236 of the *Tennessee Code Annotated*, the Agency is scheduled to terminate on June 30, 2015. Management believes that the State of Tennessee will pass the necessary legislation to continue the Agency prior to the scheduled termination date.

SUPPLEMENTARY INFORMATION

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Schedule of Indirect Costs

Year Ended June 30, 2014

Salaries	\$ 538,757
Fringe benefits	239,510
Rent and leases	78,841
Travel - out of area	38,789
Contract services	37,920
Insurance and bonding	20,660
Professional services	11,217
Office supplies	7,573
Telephone	4,685
Maintenance and repairs	4,032
Renovations	3,697
Other	3,643
Postage	3,519
Printing and duplication	3,231
Transportation	2,730
Vehicles and equipment	1,520
Travel - in area	1,131
Program supplies	685
Participant costs	177
	<hr/>
	\$ 1,002,317

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Schedule of Insurance Coverage  
Year Ended June 30, 2014

	<u>Amount</u>
A. Commercial General Liability and Personal Injury Liability Protection	
Policy No. TML-0282-15	
Policy Period: 7/01/13-6/30/14	
Bodily injury or personal injury (per person)	\$ 300,000
Bodily injury or personal injury (per occurrence)	700,000
Property damage (per occurrence)	300,000
Fire damage/impounded property damage/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: 7/01/13-6/30/14	
Building and personal property	6,335,840
EDP equipment	420,060
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: 7/01/13-6/30/14	
Limit for errors and omissions	1,000,000
Deductible (per occurrence)	None
D. Automobile Insurance	
Policy No. TML-0282-015	
Policy Period: 7/01/13-6/30/14	
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	100/250
E. Workers Compensation	
Policy No. TWC-0211-13	
Policy Period: 7/01/13-6/30/14	
Bodily injury (per accident)	300,000
Bodily injury by disease (policy limit)	700,000
Bodily injury by disease (per employee)	300,000
Deductible	None

(Continued)

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: 7/01/13-6/30/14	
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. SPS900303	
Policy Period: 7/01/13-6/30/14	
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: 7/01/13-6/30/14	
Per accident or loss	500,000
Deductible	None
I. Special Accident for Head Start Program	
Policy No. 83 SR 193351	
Policy Period: 9/22/13-9/22/14	
Accidental dismemberment	10,000
Medical expenses (per occurrence)	10,000
Death benefit (per occurrence)	5,000
Accident medical expense	25,000
Dental limit	1,000
J. Special Accident for Early Head Start Centers (Children)	
Policy No. 50202928907345001	
Policy Period: 8/23/13-8/23/14	
Accidental death (per occurrence)	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: 8/23/13-8/23/14	
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: 7/01/13-6/30/14	
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: 7/01/13-6/30/14	
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: 7/01/13-6/30/14	
Maximum payment per accident or loss	500,000
Deductible	None
O. Personal Liability Insurance for Foster Grandparent Program Volunteers	
Certificate No. TNFAYE3	
Policy Period: 7/01/13-6/30/14	
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: 7/01/13-6/30/14	
Maximum payment per accident or loss	500,000
Deductible	None
Q. Accident Insurance for Foster Grandparent Program	
Policy No. SPS900302	
Policy Period: 7/01/13-6/30/14	
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. SPS900304 Policy Period: 7/01/13-6/30/14	
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: 7/1/13 - 6/30/14	
Employee dishonesty (per occurrence)	100,000
Forgery or alteration	100,000
Theft, disappearance, or destruction	100,000
Computer fraud	100,000
T. Employee Dishonesty Coverage for Agency Pension Plan Policy No. CBP 5 255 703 Policy Period: 7/9/12 - 7/09/15	
Limit of insurance	500,000

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Schedule of Agency Officials  
June 30, 2014

**POLICY COUNCIL**

<b>COUNTY</b>	<b>PROVIDER MEMBER COUNTY EXECUTIVE</b>	<b>CONSUMER MEMBER</b>
<b>BEDFORD</b>	Co. Mayor Eugene Ray 101 Bedford County Courthouse Shelbyville, TN 37160	Mr. Will P. Martin 110 Scotland Heights Shelbyville, TN 37160
<b>COFFEE</b>	Co. Mayor David Pennington 1329 McArthur St. #1 Manchester, TN 37355	Mr. Wayne Limbaugh City of Tullahoma, P. O. Box 807 Tullahoma, TN 37388
<b>FRANKLIN</b>	Co. Mayor Richard Stewart Franklin County Courthouse Winchester, TN 37398	Ms. Melanie Smith 826 Marshall Rd. Belvidere, TN 37306
<b>GILES</b>	Co. Mayor Janet Vanzant * P. O. Box 678 Pulaski, TN 38478	Ms. Sandra Minatra 415 Old Highway 64 Frankenwing, TN 38459
<b>HICKMAN</b>	Co. Mayor Steve Gregory 114 N. Central Ave., Suite 204 Centerville, TN 37033	Ms. Shirley DeVore 109 Morrison St. Centerville, TN 37033
<b>LAWRENCE</b>	Co. Exec. J. Mack Chandler 200 West Gaines, Suite 201 Lawrenceburg, TN 38464	Ms. Sandy Calvert 220 Centennial Boulevard Lawrenceburg, TN 38464
<b>LEWIS</b>	Co. Mayor Van Ward Lewis County Courthouse 110 Park Avenue N., Room 108 Hohenwald, TN 38462	Sue Turnbow 536 N. Park St. Hohenwald, TN 38462
<b>LINCOLN</b>	Co. Mayor Peggy Bevels * 112 Main Avenue South, Rm 101 Fayetteville, TN 37334	Mr. Willie Lee Leslie 28 Providence Rd. Fayetteville, TN 37334
<b>MARSHALL</b>	Co. Mayor Joe Boyd Liggett 1108 Courthouse Annex Lewisburg, TN 37091	Ms. Barbara Boyett 443 Joyce Avenue Lewisburg, TN 37091
<b>MAURY</b>	Co. Mayor James Lee Bailey 101 Maury County Courthouse Columbia, TN 38401	Mr. Eugene Richardson 2127 Polk Dr. Columbia, TN 38401
<b>MOORE</b>	Co. Mayor Sloan Stewart P. O. Box 206 Lynchburg, TN 37352	Mr. Dolan Eady 804 Main St., Apt. B103 Lynchburg, TN 37352



SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Schedule of Agency Officials  
June 30, 2014

**POLICY COUNCIL (Continued)**

<b>COUNTY</b>	<b>PROVIDER MEMBER COUNTY EXECUTIVE</b>	<b>CONSUMER MEMBER</b>
<b>PERRY</b>	County Mayor John Carroll P. O. Box 16 Linden, TN 37096	Ms. Joanne Lord * 3081 Cedar Creek Rd. Linden, TN 37096
<b>WAYNE</b>	Co. Mayor Jason Rich P. O. Box 848 Waynesboro, TN 38485	Mr. David Duren 199 Duren Lane Waynesboro, TN 38485

\* Officers - Chairperson - Mayor Janet Vanzant; Vice Chairperson - Mayor Peggy Bevels; 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, 2014

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	04CH0464/47	\$ (214,876)	\$ 214,876	\$ -	\$ -
Head Start	93.600	04CH0465/01	-	6,633,251	7,048,594	(415,343)
	Total 93.600		(214,876)	6,848,127	7,048,594	(415,343)
<u>Corporation for National and Community Service</u>						
Retired Senior Volunteer Program	94.002	10SRSTN007	(2,512)	31,563	29,051	-
	Total 94.002		(2,512)	31,563	29,051	-
Foster Grandparent Program	94.011	12GXSTN002	(11,286)	276,842	277,062	(11,506)
	Total 94.011		(11,286)	276,842	277,062	(11,506)
<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-23234-12-55-A-24	1,721	(1,721)	-	-
Senior Community Service Employment Program	17.235	AD-24194-13-55-A-24	-	671,267	675,884	(4,617)
	Total 17.235		1,721	669,546	675,884	(4,617)
<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	-	2,513,377	3,028,603	(515,226)
<u>U.S. Department of Health and Human Services, passed through from State of Tennessee Department of Human Services</u>						
Low-Income Home Energy Assistance	93.568	Z-13-49215	(46,184)	46,184	-	-
Low-Income Home Energy Assistance	93.568	Z-14-49215	-	718,661	718,661	-
	Total 93.568		(46,184)	3,278,222	3,747,264	(515,226)

(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 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-13-49116	(174,196)	174,196	-	-
Community Services Block Grant	93.569	Z-14-49116	-	586,772	694,741	(107,969)
	Total 93.569		(139,879)	760,968	694,741	(73,652)
Social Services Block Grant	93.667	Z-13-49316	(28,733)	28,733	-	-
Social Services Block Grant	93.667	Z-14-49316	-	168,068	192,219	(24,151)
	Total 93.667		(28,733)	196,801	192,219	(24,151)
<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	-	303,629	303,629	-
	Total 10.558		-	303,629	303,629	-
Emergency Food Assistance Program (Administrative Costs)	10.568	28272	(12,428)	65,804	53,376	-
Emergency Food Assistance Program (Administrative Costs)	10.568	35748	-	43,652	57,101	(13,449)
	Total 10.568		(12,428)	109,456	110,477	(13,449)
Emergency Food Assistance Program (Commodities)	10.569	N/A	-	633,625	405,234	228,391
	Total Food Distribution Cluster		(12,428)	743,081	515,711	214,942
<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	-	427,810	427,810	-
Nutrition Services Incentive Program	93.053	Services	-	66,300	66,300	-
	Total Aging Cluster		-	494,110	494,110	-

(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	(33,545)	140,325	186,929	(80,149)
	Total 81.042		(33,545)	140,325	186,929	(80,149)
<u>U.S. Department of the Treasury, passed through from United Way of Metropolitan Nashville</u>						
Volunteer Income Tax Assistance	21.003	V13215	(4,167)	4,167	-	-
Volunteer Income Tax Assistance	21.003	V14157	-	25,276	28,941	(3,665)
	Total 21.003		(4,167)	29,443	28,941	(3,665)
		Total - Federal Programs	(491,889)	13,772,657	14,194,135	(913,367)
<u>State Programs</u>						
State of Tennessee Department of Corrections	N/A	32404-00111	(45,432)	45,432	-	-
State of Tennessee Department of Corrections	N/A	37170	-	395,271	445,885	(50,614)
		Total - State Programs	(45,432)	440,703	445,885	(50,614)
		Total - All Programs	\$ (537,321)	\$ 14,213,360	\$ 14,640,020	\$ (963,981)

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, 2014

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, 2004, the Agency had food commodities totaling \$228,391 in inventory.

SOUTH CENTRAL HUMAN RESOURCE AGENCY  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

**Summary of Auditors' Results**

1. The 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 material to the financial statements of the Agency were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs 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 auditors' report on compliance for the major federal award programs for the Agency expresses an unmodified opinion on all major federal programs.
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>
93.568	Low-Income Home Energy Assistance
17.235	Senior Community Service Employment Program
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 \$425,824.
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: 2014-001

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

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

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

Statement of Condition: The Agency did not maintain accurate and complete records 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 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 during the grant periods.

Context: The Agency is required to submit monthly inventory reports to its grantor agency reflecting the corresponding inventory activity. A comparison of the activity reflected on these monthly reports to the units on hand at June 30, 2014 resulted in unexplained variances for certain inventory items.

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.

Views of Responsible Officials: Management agrees with the finding. Policies and procedures are being drafted 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

1437 Winchester Highway  
Fayetteville TN 37334

Corrective Action Plan

January 29, 2015,

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, 2014.

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, 2014

The finding from the June 30, 2014 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

2004-001 Emergency Food Assistance Program (Commodities) - CFDA No. 10.569

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.

Action Taken: Policies and procedures are being drafted 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 be performing 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, 2014, 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 29, 2015.

### **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.

*Rodger Moss & Co, PLLC*

Nashville, Tennessee  
January 29, 2015

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, 2014. 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, 2014.

**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 2014-001. 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 2014-001 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.

*Rodger Moss & Co, PLLC*

Nashville, Tennessee  
January 29, 2015