

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Financial Statements with Supplementary Information

For the Year Ended June 30, 2010

(With Independent Auditors' Report Thereon)

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Financial Statements with Supplementary Information
For the Year Ended June 30, 2010

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Independent Auditors' Report

Governing Board
South Central Human Resource Agency
Fayetteville, Tennessee

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, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. 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 financial statements. The accompanying 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 financial statements. The schedule of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting records and other records used to prepare the financial statements. The schedule of expenditures of federal and state awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Rodger Mess $\&$ Co, PLLC

Brentwood, Tennessee
December 30, 2010

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Management's Discussion and Analysis
June 30, 2010

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, 2010. The information in this letter 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.

Agency Overview

The South Central Human Resource Agency ("SCHRA" or the "Agency") was created on July 11, 1973. The Agency was chartered as a public non-profit corporation on 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 programs and oversee the coordination efforts through its 14 Neighborhood Service Centers located in the 13 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 386,000 individuals. In 2010 through the expansion of the Senior Community Employment Program, the Agency now also serves those clients in Bledsoe, Grundy, Marion and Sequatchie counties. Across this region in fiscal year 2010, SCHRA had in place 14 Neighborhood Service Centers, 23 Head Start Centers, 4 Pre-K collaborations, 3 Early Head Start Centers, and 21 Congregate Meal Sites served by 2 commercial kitchens. During fiscal year 2010, SCHRA delivered over 19 million dollars of services through grant programs and employed approximately 550 people.

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 SCHRA Governing Board is composed of representatives from each of the 13 counties that the Agency serves. Membership 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 service area. The Governing Board has authorized the Policy Council to administer Agency activities within the framework of established policies and in conformance with Federal/State program guidelines. The 26 member Policy Council is equitably distributed between providers and consumers of Human Resource Agencies. Of the 26 members, half are elected officials or their designated representatives as providers; and half are consumer representatives as required within Agency by-laws.

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) ("ARRA") was enacted on February 17, 2009. ARRA was designed to boost the economy through a \$787 billion package of spending and tax measures. ARRA provides significant resources to help struggling states, communities, and families. The Agency through its grantor organizations received additional funding to address these needs. Agency programs receiving ARRA funding were Weatherization Assistance, Community Services Block Grant, Head Start, Nutrition, Senior Community Service Employment), TANIF, Emergency Food & Shelter, and Emergency Food Assistance. As of June 30, 2010, \$5,019,158 of ARRA funding has been expended by these programs in service to Agency clients as follows: Weatherization Assistance - \$2,899,516, Community Services Block Grant - \$1,201,414, Head Start - \$535,810, Nutrition - \$118,476, Senior Community Service Employment - \$192,230, TANIF - \$34,390, Emergency Food & Shelter - \$18,759, and Emergency Food Assistance - \$18,563.

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 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.

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

New Head Start Classroom/Storage Building in Tullahoma, TN

Due to the Agency's inability to make the necessary renovations at the 213 Cook Avenue building, previously acquired, and two years serving the children in the home-based option, the Head Start Program regained the opportunity to return to its previous location at 215 Big Springs, Tullahoma, TN in August of 2008. The Agency was able to negotiate a lease-purchase agreement with the owner, Dan Marcum, for \$315,000. The building consists of classroom space to serve 60 children and a large storage area. In 2007, the Agency requested carryover funds for renovation at the Cook Street site but later changed that request to purchase this building. The purchase agreement included the exchange of the 213 Cook Avenue property with an original cost of approximately \$90,000 and applying \$1,000 for each month of occupancy toward the purchase price. Approval for the Agency's request was granted by the U.S. Department of Health and Human Services in September 2009. With credits of 16 months rent at \$1,000 per month and \$90,000 for the other building, a net outlay of \$209,137 was required to close on this property on December 14, 2009.

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 2010 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 provide comprehensive quality services to educate children and empower families. The program serves primarily low income children from birth to 5 years of age, including pregnant women and children with special needs and their families. The program is composed of early childhood development and health services, family and community partnerships, and program design and management. Inclusive in these activities are education, medical and dental services, mental health, nutrition, parent involvement, family services, special needs services and family literacy. Head Start served a total of 1,065 three and four year olds and 91 children birth to three and pregnant women. Of that number, the program served 127 children with special needs.

In fiscal year 2010, the Agency received two additional Head Start grants funded by ARRA. \$534,888 was expended under these grants to expand the Head Start program to an additional 51 children and to provide additional teacher training and cost of living adjustments for Head Start staff.

Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance Program, funded by the TN Dept. of Human Services, 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. Energy assistance is provided to eligible households through payment to energy providers. Crisis assistance is provided to households having an official shut-off notice or who need fuel and meets other criteria for assistance. During fiscal year 2010, 8,211 clients received assistance totaling \$2,801,634.

Weatherization Assistance Program

The Weatherization Assistance Program strives to improve energy efficiency and reduce energy costs of low income households through the application of weatherization measures approved by the Tennessee Dept. of Human Services ("DHS") to qualified housing units. The Agency received funding for fiscal year 2010 for operation of its Weatherization Assistance Program from funds passed through to the Agency by DHS. These funds were provided by the American Recovery and Reinvestment Act. Eligibility guidelines for this funding allowed households of up to 200% of Federal Poverty Level to benefit. For the fiscal period just ended, weatherization improvements totaling \$2,465,173 were made on 568 units.

Due to the receipt of the ARRA funding, the Agency's regular Weatherization Assistance Program, as directed by DHS, was inactive in fiscal year 2010.

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

Community Services Block Grant (CSBG) Program

The 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 2010 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. During the fiscal year just ended, the CSBG program served 8,736 unduplicated households.

For fiscal year 2010, the Agency also received additional funding from funds passed through to the Agency by DHS to expand its CSBG services and activities. This additional funding was provided by the American Recovery and Reinvestment Act to provide a wide range of services in the categories of Emergency, Health, Nutrition, Housing and Employment to eligible households in support of family independence, wellness and financial stability. During the fiscal year just ended, 2,392 clients were assisted with this additional funding with payments totaling \$ 911,190.

Nutrition Services for the Elderly Program

The Nutrition Services for the Elderly 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. Through June 30, 2010, 93,158 congregate meals and 65,544 home delivered meals were served to 1,926 clients. Additionally funding through State of Tennessee Home and Community Based Program (OPTIONS), the Family Caregiver Program and the Statewide Medicaid HCBS Waiver Program provides similar meals to the frail and disabled aged 18 years or older. For this period OPTIONS provided 15,122 meals to 72 clients, Family Caregiver provided 400 meals to 5 clients, Medicaid Waiver provided 11,698 meals to 81 clients, and Long Term Care Choices provided 6,292 meals to 85 clients. Also funding from the American Recovery and Reinvestment Act provided 5,461 home delivered meals to an additional 30 clients.

Senior Community Service Employment Program (Title V)

The Senior Community Service Employment Program (Title V), funded by Senior Service America, Inc., 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 program is also dedicated to strengthening families, communities, and our nation by providing older and disadvantaged individuals with opportunities to learn, work, and serve others. The Agency's Title V Program serves a twelve (12) county area with an allocated slot level of 114 clients for program year 2009-2010. The Agency is also serving four (4) additional counties (Bledsoe, Grundy, Marion and Sequatchie) which are outside the SCHRA area. Additional funding of \$192,230 was provided by the American Recovery and Reinvestment Act. During the fiscal year just ended, 183 clients were served.

Food Service Program

The Agency operates a food preparation and catering service utilizing two central kitchens. One is located in Fayetteville and the other is located in Hohenwald. 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 of our service area. For the year ended June 30, 2010, these kitchens supplied 201,021 meals for our Senior Nutrition Program and 21,361 meals for our Head Start Program. Other catering engagements both internal and public produced additional revenues of \$80,822.

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 to be incapable of money management. During fiscal year ended June 30, 2010, 117 clients were assisted in 16 middle Tennessee counties.

Homemaker Services for the Elderly Program

The Homemaker Services for the Elderly Program, funded by the South Central TN Development District/TN Commission on Aging and Disabilities through the Older Americans Act, provides a plan of care related to household operations and home management to individuals age 60 and over who are incapacitated but remain in their own homes and whose welfare is threatened because they cannot perform these services by themselves. 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. There were 5,135 units of service provided during the year ended June 30, 2010. Additionally, funding through the State of Tennessee Home and Community Based Program (OPTIONS), the Family Caregiver Program and the Statewide Medicaid HCBS Waiver Program provides for homemaker and personal care assistance and respite sitter service to the frail elderly and adults with disabilities. For this period, Options provided 5,949 units of service, Family Caregiver provided 3,515 units of service, and Medicaid Waiver provided 5,389 units of service.

Community Corrections Program

The Community Corrections Program, funded by the TN Board of Probation & Parole, provides an alternative to incarceration for non-violent felony 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. This program is based on intensive supervision of offenders, and includes the necessary services to enhance a successful reintegration into society. Last year the program served 431 clients who paid \$16,406 in victim restitution, \$4,289 in child support, and worked 5,154 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 60 and older to give supportive services to children with "special needs" in the community. Foster Grandparents assists 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 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. For the year ended June 30, 2010, services were provided for 914 "at risk" children by 101 energetic volunteers.

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

The SSBG/Protective Service Homemaker Program, funded by the TN 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 the fiscal year just ended, 8,172 hours of service were provided to 124 clients.

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused compensated absences).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are considered to be governmental funds.

Governmental Funds

Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances. Requests for additional information should be addressed to South Central Human Resource Agency, P.O. Box 638, Fayetteville, Tennessee 37334.

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

Financial Analysis

Net Assets

Table 1 below provides a summary of SCHRA's net assets for the years ended June 30, 2010 and 2009.

Table 1
Condensed Statement of Net Assets

	<u>2010</u>	<u>2009</u>
Current assets	\$ 2,506,915	\$ 1,883,399
Restricted assets	594,719	560,486
Capital assets	<u>1,703,445</u>	<u>1,535,706</u>
Total assets	<u>\$ 4,805,079</u>	<u>\$ 3,979,591</u>
Current liabilities	\$ 1,748,045	\$ 1,329,986
Long-term liabilities	<u>127,500</u>	<u>172,500</u>
Total liabilities	<u>\$ 1,875,545</u>	<u>\$ 1,502,486</u>
Investment in capital assets, net of related debt	\$ 1,530,945	\$ 1,318,206
Unrestricted	<u>1,398,589</u>	<u>1,158,899</u>
Total net assets	<u>\$ 2,929,534</u>	<u>\$ 2,477,105</u>

Total assets increased by approximately \$825,000 primarily due to increases in cash, receivables, and capital assets. Total liabilities increased by approximately \$373,000 primarily due to increase in due to grantors. The change in net assets is an increase of approximately \$452,000. All increases are due to additional funding from federal and state sources for 2010.

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

Change in Net Assets

Table 2 summarizes the change in net assets for the fiscal year 2010 and 2009.

Table 2
Change in Net Assets

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>Percentage of Funding</u>	<u>Amount</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$ 18,936,546	84.35%	\$ 14,882,335	80.59%
Charges for services	<u>3,514,175</u>	<u>15.65%</u>	<u>3,584,573</u>	<u>19.41%</u>
Total revenues	<u>22,450,721</u>	<u>100.00%</u>	<u>18,466,908</u>	<u>100.00%</u>
Expenses:				
Head Start Cluster	7,113,408	31.68%	\$ 6,712,556	36.35%
Low Income Home Energy Assistance	3,381,930	15.06%	3,350,485	18.14%
Weatherization Assistance	2,899,516	12.92%	1,014,931	5.50%
Community Services Block Grant Cluster	2,041,008	9.09%	779,239	4.22%
Nutrition Services for the Elderly	1,427,526	6.36%	1,376,355	7.45%
Senior Community Service Employment	1,110,097	4.94%	590,513	3.20%
Food Service	1,026,202	4.57%	1,005,443	5.44%
Community Representative Payee Program	956,145	4.26%	672,214	3.64%
Families First	-	0.00%	587,161	3.18%
Homemaker Services for the Elderly	467,600	2.08%	462,840	2.51%
Community Corrections	374,944	1.67%	362,440	1.96%
Child Care Broker Service	-	0.00%	298,339	1.62%
Foster Grandparent	284,349	1.27%	288,298	1.56%
SSBG/Protective Service Homemaker	225,050	1.00%	222,767	1.21%
State Appropriations, Agency & Other	<u>690,517</u>	<u>3.08%</u>	<u>640,114</u>	<u>3.49%</u>
Total expenses	<u>21,998,292</u>	<u>97.98%</u>	<u>18,363,695</u>	<u>99.46%</u>
Change in net assets	<u>\$ 452,429</u>	<u>2.02%</u>	<u>\$ 103,213</u>	<u>0.54%</u>

As shown, operating grants and contributions provide over 80% of the funds for governmental activities, which are expended primarily for child education and weatherization/energy assistance.

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

Net Cost of Governmental Activities

Table 3 reports the cost of the Agency's governmental activities. The table also shows each activity's net cost (total cost less revenues provided for specific programs). Net cost of services for the Head Start Cluster was used to acquire grant funded equipment and property which has been capitalized in the statement of net assets.

Table 3
Net Cost of Governmental Activities

Program	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Head Start Cluster	\$ 7,113,408	\$ 261,154	\$ 6,712,556	\$ 57,705
Low Income Home Energy Assistance	3,381,930	-	3,350,485	-
Weatherization Assistance	2,899,516	-	1,014,931	5,130
Community Services Block Grant Cluster	2,041,008	(3,934)	779,239	-
Nutrition Services for the Elderly	1,427,526	49,825	1,376,355	(39,703)
Senior Community Service Employment	1,110,097	-	590,513	-
Food Service	1,026,202	144,864	1,005,443	118,010
Community Representative Payee Program	956,145	(7,717)	672,214	(486)
Families First	-	-	587,161	(22,756)
Homemaker Services for the Elderly	467,600	(29,806)	462,840	2,835
Community Corrections	374,944	-	362,440	(2,131)
Child Care Broker Service	-	-	298,339	(1)
Foster Grandparent	284,349	(409)	288,298	(2,221)
SSBG/Protective Service Homemaker	225,050	(18,272)	222,767	(21,313)
State Appropriations, Agency & Other	690,517	56,724	640,114	8,144
Totals	<u>\$ 21,998,292</u>	<u>\$ 452,429</u>	<u>\$ 18,363,695</u>	<u>\$ 103,213</u>

Capital Assets

At the end of the 2010 year, SCHRA had invested a cumulative amount of \$3,053,686 in building and improvements, vehicles, equipment, and land as compared to a cumulative amount of \$2,802,193 at the end of the 2009 year. Total accumulated depreciation was \$1,350,241 at the end of the 2010 year and \$1,266,487 at the end of the 2009 year. SCHRA recognized depreciation expense of \$122,048 for the 2010 year and \$117,817 for the 2009 year. Additional information about capital assets can be found in Note 3 of the financial statements.

Long-Term Debt

The Agency has a non-interest bearing note payable to the Fayetteville Board of Public Utilities. The note is payable in monthly installments of \$3,750 and is secured by a \$450,000 irrevocable letter of credit. The outstanding balance on the note is \$172,500 as of June 30, 2010 (\$217,500 as of June 30, 2009). Payments on the note are made by the General Fund. Additional information about this note can be found in Note 4 to 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. The Agency expects to receive less funding for 2011 due to the exhaustion of ARRA funding.

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Statement of Net Assets

June 30, 2010

ASSETS		
Cash		\$ 879,473
Receivables		1,593,715
Prepaid expenses		33,727
Restricted assets		
Cash		135,719
Certificate of deposit		459,000
Capital assets		
Buildings and improvements	\$ 1,706,281	
Vehicles	901,881	
Equipment	420,524	
Land	25,000	
	<u>3,053,686</u>	
Less accumulated depreciation	1,350,241	
Capital assets, net		<u>1,703,445</u>
Total assets		<u>4,805,079</u>
LIABILITIES		
Accounts payable		337,010
Accrued payroll		202,304
Accrued payroll taxes and employee benefits		95,592
Due to grantors		674,286
Accrued leave		357,603
Accrued audit fee		36,250
Long-term debt		
Due within one year		45,000
Due in more than one year		<u>127,500</u>
Total liabilities		<u>1,875,545</u>
NET ASSETS		
Investment in capital assets, net of related debt		1,530,945
Unrestricted		<u>1,398,589</u>
Total net assets		<u><u>\$ 2,929,534</u></u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Statement of Activities
Year Ended June 30, 2010

Function/Programs	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Head Start Cluster	\$ 7,113,408	\$ 3,490	\$ 7,371,072	\$ 261,154
Low Income Home Energy Assistance	3,381,930	2	3,381,928	-
Weatherization Assistance	2,899,516	-	2,899,516	-
Community Services Block Grant Cluster	2,041,008	2	2,037,072	(3,934)
Nutrition Services for the Elderly	1,427,526	819,099	658,252	49,825
Senior Community Service Employment	1,110,097	-	1,110,097	-
Food Service	1,026,202	1,171,066	-	144,864
Community Representative Payee	956,145	948,428	-	(7,717)
Homemaker Services for the Elderly	467,600	435,921	1,873	(29,806)
Community Corrections	374,944	23,467	351,477	-
Foster Grandparent	284,349	1,636	282,304	(409)
SSBG/Protective Service Homemaker	225,050	-	206,778	(18,272)
State Appropriations, Agency & Other	<u>690,517</u>	<u>111,064</u>	<u>636,177</u>	<u>56,724</u>
Total Governmental Activities	<u>\$ 21,998,292</u>	<u>\$ 3,514,175</u>	<u>\$ 18,936,546</u>	452,429
Net Assets, beginning				<u>2,477,105</u>
Net Assets, ending				<u>\$ 2,929,534</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Balance Sheet - Governmental Funds
June 30, 2010

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash			
Cash - unrestricted	\$ 878,635	\$ 838	\$ 879,473
Cash - restricted	1,557	134,162	135,719
Total cash	880,192	135,000	1,015,192
Receivables			
Accounts receivables	19,198	1,574,517	1,593,715
Due from special revenue fund	525,198	-	525,198
Total receivables	544,396	1,574,517	2,118,913
Prepaid expenses	33,727	-	33,727
Certificate of deposit - restricted	459,000	-	459,000
Total assets	\$ 1,917,315	\$ 1,709,517	\$ 3,626,832
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 82,300	\$ 254,710	\$ 337,010
Accrued payroll	37,227	165,077	202,304
Accrued payroll taxes and employee benefits	17,590	78,002	95,592
Due to grantors	-	674,286	674,286
Due to general fund	-	525,198	525,198
Accrued leave	79,069	278,534	357,603
Accrued audit fee	36,250	-	36,250
Total liabilities	252,436	1,975,807	2,228,243
Fund Balances			
Unreserved	1,664,879	(266,290)	1,398,589
Total fund balances	1,664,879	(266,290)	1,398,589
Total liabilities and fund balances	\$ 1,917,315	\$ 1,709,517	\$ 3,626,832

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2010

Fund Balances - Total Governmental Funds	\$ 1,398,589
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$3,053,686 net of accumulated depreciation of (\$1,350,241), are not financial resources and, therefore, are not reported in the funds.	1,703,445
Long-term debt is not reported in the funds	<u>(172,500)</u>
Net Assets	<u>\$ 2,929,534</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
Year Ended June 30, 2010

	General	Special Revenue	Total Governmental Funds
Revenues			
Grantor contributions	\$ -	\$ 18,141,926	\$ 18,141,926
Program income	1,176,050	172,986	1,349,036
Performance based income	-	1,160,034	1,160,034
USDA reimbursement	-	467,566	467,566
State and local contributions	204,182	122,873	327,055
Interest income	20,344	10	20,354
Other income	71,226	913,524	984,750
	<u>1,471,802</u>	<u>20,978,919</u>	<u>22,450,721</u>
Total revenues			
Expenditures			
Salaries	233,165	5,294,739	5,527,904
Fringe benefits	117,039	2,163,989	2,281,028
Participant costs	30,229	7,483,830	7,514,059
Food	516,655	1,358,043	1,874,698
Indirect costs	77,387	847,251	924,638
Capital expenditures	-	209,137	209,137
Contracted services	-	415,763	415,763
Debt repayment	45,000	-	45,000
Insurance and bonding	2,454	32,779	35,233
Maintenance and repairs	21,367	107,310	128,677
Nonexpendable supplies	1,528	21,252	22,780
Office supplies	1,350	31,690	33,040
Other	19,006	1,090,605	1,109,611
Postage	3,291	18,886	22,177
Printing and duplicating	672	9,163	9,835
Professional services	8,924	286,003	294,927
Program supplies	44,604	305,607	350,211
Renovations	6,126	60,516	66,642
Rent and leases	10,887	392,048	402,935
Telephone	2,059	108,697	110,756
Transportation	19,322	51,983	71,305
Travel - in area	-	222,633	222,633
Travel - out of area	172	91,854	92,026
Utilities	31,820	155,612	187,432
Vehicles and equipment	43,940	214,644	258,584
	<u>1,236,997</u>	<u>20,974,034</u>	<u>22,211,031</u>
Total expenditures			
Net change in fund balances	234,805	4,885	239,690
Fund balances, beginning of year	<u>1,430,074</u>	<u>(271,175)</u>	<u>1,158,899</u>
Fund balances, end of year	<u>\$ 1,664,879</u>	<u>\$ (266,290)</u>	<u>\$ 1,398,589</u>

See accompanying notes to financial statements.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 239,690

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlays of \$289,787 exceeded depreciation expense of (\$122,048) in the current period.

167,739

Governmental funds report debt payments as expenditures. However, in the statement of activities, the payment reduces the corresponding liability. This is the amount of note payments in the current period.

45,000

Net Revenue - Total Governmental Activities

\$ 452,429

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Notes to Financial Statements
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - South Central Human Resource Agency (the Agency) was established in 1973 in accordance with Title 13, Chapter 26, as amended, of the *Tennessee Code Annotated*. This legislation provides a regional system to deliver human resource programs in the State's counties and cities. The Agency is governed by a 64-member governing board. The 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. For financial reporting purposes, the Agency includes all fund types over which the Board of Directors exercises oversight responsibility.

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). Both the government-wide and fund financial statements categorize primary activities as governmental.

The government-wide financial statements include the statement of net assets and the statement of activities. In the statement of net assets, the governmental funds are presented on a consolidated basis, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net assets are reported in two parts - investment in capital assets, net of related debt and unrestricted net assets.

The statement of activities reports the gross and net costs of the Agency's function (health and welfare). The function is supported by general government revenues (charges for services). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function (health and welfare). Operating grants include operating-specific and discretionary grants. The net costs are normally covered by general revenue (charges for services).

This government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities.

The following fund types are used by the Agency:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Agency:

General Fund - The General Fund is the general operating fund of the Agency. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds - Special Revenue Funds are used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual - The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due

Major Sources of Revenue:

Grantor Contributions - Grantor contributions are recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Program Income - Program income includes fares, fees, and contributions for services provided by Agency programs. Income is recorded as revenue when received.

Performance Based Income - Performance based income represents revenue derived from payment for a particular service or activity for a predetermined cost, regardless of total costs, with any losses born by the Agency and any profits used at the discretion of the Agency.

USDA Reimbursement - USDA reimbursement represents funds received from the United States Department of Agriculture as reimbursement for meals provided under federal grant programs.

State and Local Contributions - State financial assistance is appropriated annually by the Tennessee Legislature and is recognized at the beginning of each fiscal year upon notification of the amount of the award from the Office of the Governor. Contributions to grant programs from local governments and other organizations are recognized as revenue when grant expenditures are incurred.

Budgetary Process - The Agency does not have an annual appropriated budget. The grant documents serve as the financial plans for budgetary purposes.

Concentrations of Credit Risk - Financial instruments, which potentially subject the Agency to concentrations of credit risk, consist primarily of cash and accounts receivable. The Agency's financing sources are primarily grants from federal and state governmental entities. Management does not believe significant credit risk exists at June 30, 2010.

Capital Assets - Capital assets (over a \$5,000 threshold) are recorded at cost. The cost of capital assets is depreciated using the straight-line method over the estimated useful lives (5 years for equipment and vehicles and 40 years for buildings and improvements).

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

Indirect Costs - Indirect costs are allocated to governmental activities each month based on year-to-date costs less listed pass-through items.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leave Policies - Regular employees earn vacation leave from the beginning of employment. Each full time employee who has been employed by the Agency for up to five years accrues 1 day of vacation per month. Full time employees with more than five years of service accrue 1 1/2 days of vacation per month

At the beginning of the Agency's fiscal year (July 1), an employee may carry over from the preceding fiscal year up to 225 hours (30 days) of accrued vacation. 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 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, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave

Subsequent Events - The Agency has evaluated events and transactions through December 30, 2010, the date of these financial statements were issued for items that should potentially be recognized or disclosed.

NOTE 2 - DEPOSITS

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the Agency. Category 1 consists of deposits that are insured or collateralized with securities held by the Agency or by its agent in the Agency's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Agency's name.

The majority of the Agency's deposits are in financial institutions that participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2010, the carrying amount of the Agency's deposits, including the certificates of deposit, was \$1,474,192, and the bank balances were \$1,844,083. Of the bank balances, \$402,539 was covered by federal depository insurance, \$1,441,374 was covered through the banks' participation in the Tennessee Bank Collateral Pool, and \$170 was collateralized by securities held in the Local Government Investment Pool (LGIP) and are classified as Category 1 deposits.

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

NOTE 3 - CAPITAL ASSETS

The following changes occurred in capital assets during the year ended June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2010</u>
Building and improvements	\$ 1,497,145	\$ 298,804	\$ (89,667)	\$ 1,706,282
Vehicles	846,487	75,341	(19,948)	901,880
Equipment	433,561	5,309	(18,346)	420,524
Land	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total Capital Assets	<u>\$ 2,802,193</u>	<u>\$ 379,454</u>	<u>\$ (127,961)</u>	3,053,686
Accumulated depreciation				<u>(1,350,241)</u>
Capital assets, net				<u>\$ 1,703,445</u>
Depreciation expense				<u>\$ 122,048</u>

NOTE 4 - LONG-TERM DEBT

Long-term debt at June 30, 2010 consisted of:

Note payable, non-interest bearing to Fayetteville Board of Public Utilities, due in monthly installments of \$3,750, secured by \$450,000 irrevocable letter of credit	\$ 172,500
Less installments due within one year	<u>(45,000)</u>
	<u>\$ 127,500</u>

The Agency's certificate of deposit secures the irrevocable letter of credit which expires May 13, 2014. Future principal payments on long-term debt are: 2011 - \$45,000, 2012 - \$45,000, 2013 - \$45,000 and 2014 - \$37,500.

Long-term debt activity for the year ended June 30, 2010 was as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2010</u>
Note Payable - Fayetteville Board of Public Utilities	<u>\$ 217,500</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	<u>\$ 172,500</u>

Payments on the note are made by the General Fund.

NOTE 5 - OPERATING LEASES

The Agency leases office space and equipment to carry out its activities and to administer the various grant programs. Rent and lease expense for 2010 totaled \$402,935 including allocated building costs totaling \$176,968.

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

NOTE 6 - 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, 2010 to the Annuity Plan totaled \$147,477.

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 contributes 5% of the employee's base salary each month, if the employee contributes 2% of his/her base salary to the Annuity Plan. 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, 2010 to the Pension Plan totaled \$150,025.

NOTE 7 - RISK MANAGEMENT

The Agency participates in the Tennessee Municipal League (TML) Risk Management Pool for the following risks of loss: commercial general liability; personal injury liability; theft of, damage to, or destruction of real and personal property; public officers' liability; automobile insurance; and workers' compensation and employers' liability. The Agency's agreement with the TML Risk Management Pool provides for payment of annual premiums. The agreement also provides for refunds to members and additional member assessments. Additional member assessments are made 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's Self Insurers Risk Retention Group, Inc., by TML.

The Agency also carries the following types of commercial insurance: special accident insurance for the Head Start programs; accident insurance for the Foster Grandparent and Retired Senior Volunteer programs and for volunteers of the Community Correction Program and for volunteers of the Agency; personal liability for the Foster Grandparent and Retired Senior Volunteer programs and for volunteers of the Agency; fire insurance for the Lawrenceburg Head Start center; employee crime coverage; contractor's pollution liability; and excess automobile liability insurance for the Foster Grandparent and Retired Senior Volunteer programs and for volunteers of the Agency. The Agency also carries additional employee dishonesty coverage specific to the deferred contribution pension plan. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

NOTE 8 - ECONOMIC DEPENDENCY

The Agency is dependent on state and federal funding in order to carry out its various programs.

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

NOTE 9 - IN-KIND CONTRIBUTIONS

In-kind contributions consist of non-cash contributions provided by individuals, private organizations, and local governments that are used to match federal and state funding on various grants.

During the year ended June 30, 2010, the Agency had in-kind revenues and expenses of \$2,435,036.

SUPPLEMENTARY INFORMATION

SOUTH CENTRAL HUMAN RESOURCE AGENCY

Schedule of Indirect Costs

For the Year Ended June 30, 2010

Salaries	\$ 541,310
Fringe benefits	177,535
Food	1,920
Contracted services	37,188
Insurance and bonding	14,219
Maintenance and repairs	3,498
Nonexpendable supplies	2,035
Office supplies	11,213
Other	4,279
Participant costs	91
Postage	2,621
Printing and duplication	3,885
Professional services	8,298
Program supplies	1,022
Rent and leases	63,107
Telephone	4,391
Transportation	3,204
Travel - in area	1,132
Travel - out of area	42,124
Vehicles and equipment	<u>1,249</u>
	<u>\$ 924,321</u>

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Insurance Coverage
For the Year Ended June 30, 2010

	<u>Amount</u>
A. Commercial General Liability and Personal Injury Liability Protection	
Policy No. TML-282-12	
Policy Period: 7/01/09-6/30/10	
Bodily injury or personal injury (per person)	\$ 300,000
Bodily injury or personal injury (per occurrence)	700,000
Other loss (per occurrence)	1,000,000
Catastrophic medical expenses excess of bodily injury (per person or occurrence)	1,000,000
Property damage (per occurrence)	300,000
Medical payments (per person)	1,000
Medical payments (per accident)	10,000
Fire damage (per occurrence)	100,000
Impounded property damage (per occurrence)	100,000
Non-monetary defense cost (per occurrence)	100,000
Deductible	None
B. Real and Personal Property	
Policy No. TMP-0538-12	
Policy Period: 7/01/07-7/01/10	
Blanket limit (per occurrence)	2,088,436
Contents (building and personal property)	1,728,089
EDP equipment	280,347
Flood (per occurrence)	1,000,000
Earthquake (per occurrence)	1,500,000
Newly acquired property	1,500,000
Rental values	500,000
Property in the course of construction	500,000
Property in transit	250,000
Increased cost of construction	500,000
Demolition cost	500,000
Debris removal	500,000
Consequential loss	500,000
Leasehold interest	500,000
Accounts receivable	250,000
Valuable papers and records	250,000
EDP media/software	100,000
Loss of revenue (business interruption)	250,000
Personal effects	50,000
Extra expense	500,000
Blanket (deductible per occurrence)	1,000
Terrorism (per occurrence and annual aggregate)	500,000
Deductible (per occurrence)	1,000
C. Public Officers Liability	
Policy No. TML-0538-09	
Policy Period: 7/01/09-6/30/10	
Limit for errors and omissions	1,000,000
Non-monetary defense cost (per occurrence)	50,000
Deductible (per occurrence)	None

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

	<u>Amount</u>
D. Automobile Insurance	
Policy No. TML-282-012	
Policy Period: 7/01/09-6/30/10	
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
Medical payments (per person)	1,000
Medical payments (per accident)	10,000
Uninsured motorist - bodily injury (per accident)	300,000
Uninsured motorist - property damage (per occurrence)	100,000
Comprehensive deductible	100
Collision deductible	250
E. Workers Compensation	
Policy No. TWC-211-10	
Policy Period: 7/01/07-7/01/10	
Bodily injury (per accident)	300,000
Bodily injury by disease (policy limit)	700,000
Bodily injury by disease (per employee)	300,000
Deductible	None
F. Personal Liability Insurance for South Central Human Resource Agency Volunteers	
Policy No. TNFAYE1	
Policy Period: 7/01/09-6/30/10	
Personal injury or property damage (per occurrence)	100,000
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: 7/01/09-6/30/10	
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: 7/01/09-6/30/10	
Per accident or loss	500,000
Deductible	None

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

	<u>Amount</u>
I. Special Accident for Head Start Program	
Policy No. 83 SR 193351	
Policy Period: 9/22/09-9/22/10	
Accidental dismemberment	\$ 10,000
Medical expenses (per occurrence)	10,000
Death benefit (per occurrence)	5,000
Accident medical expense (per occurrence)	25,000
Dental limit	1,000
J. Special Accident for Early Head Start Centers (Children)	
Policy No. 50202928907345001	
Policy Period: 8/23/09-8/23/10	
Accidental death (per occurrence)	
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: 8/23/09-8/23/10	
Accidental death	
Accidental dismemberment	10,000
Accidental medical expense	10,000
L. Accident Insurance for Retired Senior Program Volunteers	
Policy No. TNFAYE	
Policy Period: 7/1/09-6/30/10	
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: 7/01/09-6/30/10	
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: 7/01/09-6/30/10	
Maximum payment per accident or loss	500,000
Deductible	None

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

	<u>Amount</u>
O. Personal Liability Insurance for Foster Grandparent Program Volunteers Certificate No. TNFAYE3 Policy Period: 7/01/09-6/30/10	
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: 7/01/09-6/30/10	
Maximum payment per accident or loss	500,000
Deductible	None
Q. Accident Insurance for Foster Grandparent Program Policy No. SPS900302 Policy Period: 7/01/09-6/30/10	
Principal sum	2,500
Capital sum	2,500
Medical indemnity (per insured)	50,000
R. Accident Insurance for Community Correction Program Volunteers Policy No. SPS900304 Policy Period: 7/01/09-6/30/10	
Principal sum	2,500
Capital sum	2,500
Medical indemnity (per occurrence)	50,000
Deductible	None
S. Crime Coverage Policy No. TMP 538-12 Policy Period: 7/1/07-7/1/10	
Employee public official bond (per loss per employee)	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: 7/9/09 - 7/9/12	
Limit of insurance	500,000

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Other	Ending Accrued (Deferred)
<u>Direct Programs</u>							
<u>U.S. Department of Health and Human Services</u>							
Head Start							
Head Start	93.600	04CH0464/44	\$ (221,195)	\$ 5,846,039	\$ 5,880,425	\$ 995	\$ (254,586)
Early Head Start	93.600	04CH0464/44	(25,483)	505,349	483,221	25	(3,330)
Head Start Training & Technical Assistance	93.600	04CH0464/44	(5,126)	74,353	69,334	-	(107)
Early Head Start Training & Technical Assistance	93.600	04CH0464/44	(6,046)	18,985	12,959	-	(20)
	Total 93.600		(257,850)	6,444,726	6,445,939	1,020	(258,043)
ARRA - Head Start							
Head Start Expansion	93.708	04SH0464/01	-	180,381	159,529	-	20,852
Head Start Expansion Training & Technical Assistance	93.708	04SH0464/01	-	7,635	7,635	-	-
Head Start COLA	93.708	04SE0464/01	-	100,398	100,398	-	-
Early Head Start Cola	93.708	04SE0464/01	-	7,773	7,773	-	-
Head Start Quality	93.708	04SE0464/01	-	122,305	236,421	-	(114,116)
Early Head Start Quality	93.708	04SE0464/01	-	23,132	23,132	-	-
	Total 93.708		-	441,624	534,888	-	(93,264)
	Total Head Start Cluster		(257,850)	6,886,350	6,980,827	1,020	(351,307)
<u>Corporation for National and Community Service</u>							
Retired Senior Volunteer Program	94.002	07SRSTN006	(3,088)	36,602	43,235	-	(9,721)
Foster Grandparent Program	94.011	09SFSTN003	(4,494)	266,247	282,304	-	(20,551)
<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-16177-07-60-A-24	(47,354)	850,980	917,867	-	(114,241)
ARRA - Senior Community Service Employment Program	17.235	AD-18413-09-60-A-24	(650)	167,728	167,174	-	(96)
ARRA - Senior Community Service Employment Program	17.235	AD-18413-09-60-A-24	-	2,516	2,516	-	-
ARRA - Senior Community Service Employment Program	17.235	AD-20017-10-60-A-24	-	8,992	22,540	-	(13,548)
			(650)	179,236	192,230	-	(13,644)
	Total 17.235		(48,004)	1,030,216	1,110,097	-	(127,885)

See independent auditors' report.

See accompanying notes to schedule of expenditures of federal and state awards.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Other	Ending Accrued (Deferred)
<u>Pass Through Programs (Continued)</u>							
<u>U.S. Department of Homeland Security, passed through from United Way of America</u>							
Emergency Food and Shelter National Board Program	97.024	27-7740-00	13,118	14,237	29,895	(120)	(2,660)
Emergency Food and Shelter National Board Program	97.024	28-7760-00	-	10,065	10,566	-	(501)
Total 97.024			13,118	24,302	40,461	(120)	(3,161)
ARRA - Emergency Food and Shelter National Board Program	97.114	AR-7740-00	-	12,477	13,108	-	(631)
ARRA - Emergency Food and Shelter National Board Program	97.114	AR-7760-00	-	5,379	5,651	-	(272)
Total 97.114			-	17,856	18,759	-	(903)
Total Emergency Food and Shelter Program Cluster			13,118	42,158	59,220	(120)	(4,064)
<u>U.S. Department of the Treasury, passed through from United Way of Metropolitan Nashville</u>							
Volunteer Income Tax Assistance	21.003	N/A	(14,426)	14,426	-	-	-
Volunteer Income Tax Assistance	21.003	V110041	-	47,995	51,925	3,643	(287)
Total 21.003			(14,426)	62,421	51,925	3,643	(287)
<u>U. S. Department of Agriculture, passed through from State of Tennessee Department of Agriculture</u>							
Child and Adult Care Food Program	10.558	034756026001	-	391,100	391,265	-	(165)
<u>U. S. Department of Agriculture, passed through from South Central Tennessee Development District</u>							
Child and Adult Care Food Program	10.558	Nutrition - Congregate	-	76,300	76,300	-	-
Total 10.558			-	467,400	467,565	-	(165)

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

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Other	Ending Accrued (Deferred)
<u>Pass Through Programs (Continued)</u>							
<u>U. S. Department of Agriculture, passed through from State of Tennessee Department of Agriculture</u>							
Emergency Food Assistance Program (Administrative Costs)	10.568	8675	(8,364)	48,634	41,468	1,198	-
Emergency Food Assistance Program (Administrative Costs)	10.568	8675	-	-	37,305	-	(37,305)
			(8,364)	48,634	78,773	1,198	(37,305)
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	8675	-	-	18,563	-	(18,563)
Total 10.568			(8,364)	48,634	97,336	1,198	(55,868)
<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 Meals	(37,371)	476,386	537,435	94,958	(3,462)
ARRA - Aging Home-Delivered Nutrition Services for States	93.705	Home Delivered Meals	-	40,466	38,915	(1,551)	-
ARRA - Aging Congregate Nutrition Services for States	93.707	Congregate Meals	-	84,056	79,561	(4,495)	-
Total Aging Cluster			(37,371)	600,908	655,911	88,912	(3,462)
<u>U.S. Department of Energy, passed through from State of Tennessee Department of Human Services</u>							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021681	(175,312)	183,500	-	(7,803)	385
Weatherization Assistance for Low-Income Persons	81.042	Z-10-000414	-	-	-	8,188	8,188
ARRA - Weatherization Assistance for Low-Income Persons	81.042	Z-09-000433	-	2,864,257	2,899,516	-	(35,259)
Total 81.042			(175,312)	3,047,757	2,899,516	385	(26,686)

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

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Other	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</u>							
Low-Income Home Energy Assistance	93.568	Z-05-021705	(160,314)	160,314	-	-	-
Low-Income Home Energy Assistance	93.568	Z-10-000215	-	3,356,152	3,381,930	2	(25,776)
Total 93.568			(160,314)	3,516,466	3,381,930	2	(25,776)
ARRA - Community Services Block Grant	93.710	Z-09-217919	-	1,132,992	1,201,414	3,934	(64,488)
Community Services Block Grant	93.569	Z-05-020699	(63,545)	97,862	-	(34,317)	-
Community Services Block Grant	93.569	Z-10-000116	-	777,807	839,594	35,028	(26,759)
Total - 93.569			(63,545)	875,669	839,594	711	(26,759)
Total CSBG Cluster			(63,545)	2,008,661	2,041,008	4,645	(91,247)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	GG-09-26334	(14,408)	14,408	-	-	-
Social Services Block Grant	93.667	Z-09-215436	(26,657)	26,657	-	-	-
Social Services Block Grant	93.667	Z-10-215436	-	155,883	225,050	45,010	(24,157)
Total 93.667			(26,657)	182,540	225,050	45,010	(24,157)
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	Z-10-000068	-	18,981	34,390	-	(15,409)
Total - Federal Programs			(800,715)	18,229,749	18,330,314	144,695	(756,585)
<u>State Programs</u>							
Volunteer Income Tax Assistance	N/A	GR 09-26546	-	8,686	9,311	625	-
State of Tennessee Board of Probation and Parole	N/A	Z-08-21323-00	(42,023)	347,558	374,944	23,467	(45,942)
Total - State Programs			(42,023)	356,244	384,255	24,092	(45,942)
Total - All Programs			\$ (842,738)	\$ 18,585,993	\$ 18,714,569	\$ 168,787	\$ (802,527)

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

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Note to Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards 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.

SOUTH CENTRAL HUMAN RESOURCE AGENCY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of South Central Human Resource Agency.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of South Central Human Resource Agency were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for South Central Human Resource Agency expresses an unqualified opinion on all major federal programs.
6. No audit findings were noted that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
17.235	Senior Community Service Employment Program
81.042	Weatherization Assistance for Low-Income Persons
93.569	Community Services Block Grant
93.710	ARRA - Community Services Block Grant
93.600	Head Start
93.708	ARRA - Head Start
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services
93.705	ARRA - Aging Home-Delivered Nutrition Services for States
93.707	ARRA - Aging Congregate Nutrition Services for States

8. The threshold for distinguishing Type A and Type B programs was \$549,909
9. South Central Human Resource Agency was determined to be a low-risk auditee.

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None



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 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, 2010, which collectively comprise the Agency’s basic financial statements and have issued our report thereon dated December 30, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency’s financial statements are free of 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*.

This report is intended solely for the information and use of management, the Governing Board, others within the Agency, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rodger Moss & Co, PLLC

Brentwood, Tennessee
December 30, 2010



Independent Auditor's Report on Compliance with Requirements that could
have a Direct and Material Effect on each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133

Governing Board
South Central Human Resource Agency
Fayetteville, Tennessee

Compliance

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, 2010. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Governing Board, others within the Agency, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rodger Moss & Co, PLLC

Brentwood, Tennessee
December 30, 2010