

**South Central Human
Resource Agency**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

South Central Human Resource Agency
Table of Contents
June 30, 2019

REPORT	
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Management's Discussion and Analysis (MD&A)	4
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Children's Services Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nutrition Fund	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Services Fund	25
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability	45
Schedule of Employer Contributions	46
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-major Governmental Funds	47



South Central Human Resource Agency
Table of Contents
June 30, 2019

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non- Major Governmental Funds	48
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Senior Services Fund	49
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Justice Services Fund	50
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>	51
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	53
Schedule of Expenditures of Federal Awards and State Financial Assistance	55
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	57
Schedule of Findings and Questioned Costs	60
Summary Schedule of Prior Audit Findings for Federal Awards and State Financial Assistance	61



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
South Central Human Resource Agency
Fayetteville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2019, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Children's Services Fund, the Nutrition Fund, and the Community Services Fund 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 information on pages 4 through 15, schedule of changes in net pension liability and schedule of employer contributions are presented to supplement the basic financial statements on pages 45 and 46. 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 combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget and actual for the Senior Services Fund and the Justice Services Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget and actual for the Senior Services Fund and the Justice Services Fund and schedule of expenditures of federal awards and state financial assistance is 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, based on our audit, the combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget and actual for the Senior Services Fund and the Justice Services Fund and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

December 19, 2019

Management's Discussion and Analysis

This discussion is intended to present a broad view of South Central Human Resource Agency's ("SCHRA" or the "Agency") financial position and activities for the fiscal year ended June 30, 2019. 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

The Agency's mission is to provide low income individuals and the communities within our service area, access to educational, economic, nutritional, and social services that promote and encourage self-reliance through our partnerships with local, state, and federal resources.

Agency Overview

The Agency was created July 11, 1973 and chartered as a public non-profit corporation on February 19, 1975. It'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 2019, SCHRA had in place 13 Neighborhood Service Centers, 9 American Job Centers, 20 Head Start Centers, 7 Early Head Start Centers, and 20 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 2019, SCHRA delivered approximately \$26,739,765 of services and employed approximately 600 people.

Governing Bodies

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

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

Management's Discussion and Analysis

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

Additionally, serving on the Policy Council in a voting status is a Head Start Policy Council Representative and in a nonvoting status, a Licensed Attorney, a Financial Management Representative, and an Early Childhood Representative. These seats on our Board are 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. 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.

Agency Facility Accomplishments

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. The replacement value is insured at approximately \$4 million dollars. 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.

The Agency has worked hard to adapt to meet the challenges and opportunities of our mission. We continue to work toward the goals outlined in the Agency's strategic plan with a focus on catalyzing resources and expanding services. We continue to improve the Agency's facilities and equipment. During this past fiscal year, the central office received an upgrade on the audio/visual system in the large conference room. This improvement allows for a much better training experience. The Agency also continues to replace our aging vehicle fleet. This past summer we also worked to develop a new space for a new Neighborhood Service Center in Bedford County. The Agency received buildout credit for the new facility and will be in the space rent free for 42 months. The new center was a much needed improvement. Additionally, we have also made repairs and maintenance at our other facilities as required by our lease agreements. This will continue to be a focus in the foreseeable future for the Agency. SCHRA management has developed a guiding standard for our current and future facilities that they must be accessible, clean, crisp, and professional. We also will continue to execute preventative maintenance on our facilities. This will insure facilities are kept to the above standard.

We continue to make great strides to improve Head Start locations with safety concerns, new playgrounds and seeking better locations for our centers. The Agency received funds to construct a new Early Head Start in Bedford County. We received a land donation from the City of Shelbyville for this project. We continue to work on the construction of the Early Head Start in Coffee County. The project is being reviewed for final approval by the Head Start Administration in Washington.

Management's Discussion and Analysis

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 2019 follow:

Head Start and Early Head Start Programs

The objective of the Head Start and Early Head Start (collectively referred to as "Head Start") programs, funded by the U.S. Department of Health and Human Services - Administration for Children and Families, is to promote school readiness of low-income children by enhancing children's cognitive, social and emotional development. Head Start and Early Head Start together serve pregnant women and children (birth to 5) and their families, who are under the poverty line or are eligible for public assistance. The Head Start program provides services in the following areas: early childhood development and health services and family and community partnerships. Inclusive in these services are education, medical and dental services, mental health, nutrition, parent involvement, family services, special needs services and family literacy. Children in the program were proficient in the categories of mathematics, language, cognitive skills, literacy, and social emotional skills. The percentages ranged from 86-92%. Ten percent of our enrollment is mandated to serve children with disabilities. Our program ensured that age-appropriate health services were provided to 968 enrolled and/or terminated children, with 89% receiving age appropriate preventive dental services, and 50 children receiving mental health services. Our centers are Tennessee State Childcare licensed, which implement the three-star rating system that uses the ECERS-R and ITERS-R to monitor learning environments and teaching practices. Along with establishing school readiness goals for the children, we acknowledge that parents are their child's first educators and will continue to be throughout their child's educational career. There were numerous parents and community volunteers who provided services to our program throughout all 13 of our counties. Head Start facility improvements continue to be a major focus of SCHRA. Several Head Start locations received new tricycle paths and shade structures during this last year. Additionally, facilities received safety improvements with video cameras and physical barriers around playgrounds. The Agency has also implemented Adverse Childhood Experience training within the Head Start Program. The program is centered on a known curriculum called Trauma Smart. The results and outcomes are making an impact within our agency.

Low-Income Home Energy Assistance Program

The Low-Income Home Energy Assistance Program ("LIHEAP") is funded by the Tennessee Housing Development Agency ("THDA"). This program provides assistance to elderly, handicapped, and low-income persons with energy used to heat their homes through financial assistance to offset a portion of the cost. Priority for assistance is given to lowest of income. Priority points are used to determine the amount of assistance which ranges from \$300 to \$600. Energy and crisis assistance is provided to eligible households through direct payment to a utility or propane company. During fiscal year 2019, a total of 8,682 households received assistance. This program year was unique as THDA changed over to a federal calendar and combined two years' worth of assistance which gave us a budget of \$7,669,433.

Management's Discussion and Analysis

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 2019, a total of 84,632 congregate meals were served to over 1,500 clients and 61,898 home delivered meals were served to over 260 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 16,164 meals to over 100 clients, Family Caregiver provided 413 meals to 3 clients, and Long Term Care Choices provided 24,949 meals to over 100 clients.

Community Representative Payee Program

The Community Representative Payee Program, funded by client fees established by the Social Security Administration and Veterans 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 2019, 340 clients were assisted in 34 Tennessee counties and 8 other states. Benefits overseen on behalf of clients for the year totaled \$2,876,569.

Food Service Program

Through the operation of two commercial kitchens SCHRA provides hot nutritious meals to programs and individuals for a fee without limited qualifications. This service acts as a vendor to numerous Agency programs as well as the general public. A staff of 15 employees, utilizing 12 vans, delivers centrally prepared food to all thirteen counties in the Agency's service area. Additionally these kitchens offer professional catering services to provide income to purchase major food service equipment and to help sustain the Agency's congregate meal service for a full five-day week. During fiscal year 2019, these kitchens supplied 187,147 meals for the Agency's Senior Nutrition Program. Other catering engagements both internal and public produced additional revenues of \$139,352.

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 2019 for operation of its CSBG Program from funds passed through to the Agency by the Tennessee Dept. of Human Services ("DHS"). The CSBG

Management's Discussion and Analysis

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 2019, the CSBG Program served 994 unduplicated households with 2,135 individuals.

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 2019, the Title V Program served a 12 county area with an allocated slot level of 112 clients. The Title V Program also served 4 additional counties (Bledsoe, Grundy, Marion, and Sequatchie) with 48 clients which are outside of SCHRA's service area. During fiscal year 2019 a total of 160 clients were served.

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 2019, a total of 2,356.5 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 2019, Options provided 3,556 units of service, Family Caregiver provided 2,019 units of service, and Long Term Care Choices provided 6,147 units of service. These services were delivered to 110 clients.

Management's Discussion and Analysis

Justice Services 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 2019, the Program served 2,529 clients who paid \$4,646 in victim restitution, \$10,184.34 in child support, and worked 4,707 hours of community service. The Agency also added new programming for Recovery Court for Lincoln and Lawrence Counties funded through Tennessee Dept. of Mental Health and Substance Abuse Services. The Agency also received funding through the Tennessee Dept. of Criminal Justice Programs for a Pre-Release Case Manager. These two new programs will aid greatly with our court services.

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 2019, services were provided for 224 "at risk" children by 61 Foster Grandparents.

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

The SSBG/Protective Service Homemaker Program, funded by Tennessee Dept. of Human Services, provides supportive services to adults (Adult Protective Services (APS) cases) who have been threatened with abuse, neglect, or exploitation and require assistance to prevent this from occurring. Services focus on activities which the client can no longer do for themselves and which are necessary for the person to remain at home, including emotional support and encouragement during periods of loneliness and depression. Services are directed at teaching homemaking and daily living skills to these individuals. Eligibility is determined by the DHS caseworker. Need is established when an individual or family is experiencing a specific personal or social problem for which homemaker services are deemed appropriate. During fiscal year 2019, a total of 5,516 hours of service were provided to 112 clients.

Weatherization Assistance Program

The Weatherization Assistance Program ("WAP"), funded by the Tennessee Housing Development Agency ("TDHA"), strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by TDHA to qualified

Management's Discussion and Analysis

housing units. Eligibility guidelines for this funding allow households of up to 200% of federal poverty level to benefit. The funding and scope of this program have been drastically reduced due to the lack of federal funding. During fiscal year 2019, 35 homes were weatherized at a funding level of \$359,047.

Workforce Innovative and Opportunity Act

The Workforce Innovative and Opportunity Act ("WIOA"), funded by the South Central Tennessee Development District, is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers the need to compete in the global economy. The American Job Centers provide a full range of programs, seminars, and workshops, including work skills, interviewing techniques, and resume writing. Depending on circumstances, customers may be able to get some or all of the costs of training covered by funding from the Department of Labor. During fiscal year 2019, 33 Veterans were served, 632 were in training, 188 attained credentials, 120 new enrollments, and had a total of 37,839 traffic come through the American Job Centers in our 13 county region served.

Overview of the Financial Statements

This discussion and analysis is intended to provide an overview of the Agency's financial statements.

Basic Financial Statements

The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The basic financial statements present two different views of the Agency through the use of government-wide and fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements on pages 16 and 17 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 deferred outflows of resources and liabilities and deferred inflows of resources on a full accrual, economic resource basis. The difference between assets and liabilities is reported as net position which is broken down into three parts: net investment in capital assets, restricted, and unrestricted. Net position serves as a useful indicator of the Agency's overall financial position. The statement of activities presents a comparison of expenses and revenues for each major function/program of the Agency and also reflects how the Agency's net position changed during the fiscal year. On the statement of activities, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All of the Agency's activities are considered to be governmental activities.

Fund Financial Statements

The fund financial statements on pages 18 through 25 provide information about the Agency's funds. Funds are used to maintain control over resources that are to be segregated for specific

Management's Discussion and Analysis

activities or purpose. Fund accounting ensures and reflects compliance with finance-related legal requirements, such as grantor provisions. The 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 are measurable and available and expenditures are generally recorded when the related fund liability is incurred. 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. Differences between the Agency's government activities as reported in the statement of net position and the statement of activities and its governmental funds are identified in the reconciliations that are part of the fund financial statements.

Notes to Financial Statements

The notes to the financial statements on pages 26 through 44 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

In addition to the basic financial statements, the financial statements include required and other supplementary information to enhance the reader's understanding of the Agency.

Required Supplementary Information

The required supplementary information on pages 45 through 46 is provided to supplement the basic financial statements.

Other Supplementary Information

The supplementary information on pages 47 through 61 is provided for purposes of additional analysis and is not a required part of the basic financial statements.

Single Audit

Under the Uniform Guidance, a Single Audit applies to nonfederal entities that expend \$750,000 or more in a year in federal awards. The Agency's expenditure of federal awards totaled approximately \$20.9 million during the fiscal year. Accordingly, a Single Audit was required. The Single Audit section of the financial statements on pages 53 through 61 includes the schedule of expenditures of federal awards and state financial assistance and notes thereto, the schedule of findings and questioned costs, along with our independent auditors' reports on internal control and compliance.

Management's Discussion and Analysis

Government-Wide Financial Analysis

Net Position

Table 1 presents a summary of the Agency's net position at June 30, 2019 (as presented on page 16) with comparative data from June 30, 2018.

Table 1
Condensed Statement of Net Position

	2019	Restated 2018
Current assets	\$ 2,948,399	\$ 2,251,628
Restricted assets	922,839	720,820
Net pension asset	1,978,114	1,995,505
Capital assets	2,455,805	2,441,194
Total assets	8,305,157	7,409,147
Deferred outflows of resources	939,921	235,266
Current liabilities	2,212,348	1,600,505
Note payable	74,110	-
Capital lease obligation	29,961	53,244
Total liabilities	2,316,419	1,653,749
Deferred inflows of resources	65,039	394
Net position:		
Net investment in capital assets	2,351,734	2,387,950
Restricted for pension benefits	1,913,075	2,230,377
Unrestricted	2,598,811	1,371,943
Total net position	\$ 6,863,620	\$ 5,990,270

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6.86 million as of June 30, 2019. The Agency's net position increased \$873,350 for the fiscal year.

The Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land) represents 34% of its net position as of June 30, 2019. The Agency uses these capital assets to provide services to clients; consequently, these assets are not available for future spending. The Agency's net position restricted for pension benefits represents 28% of its net position as of June 30, 2019. The Agency will use this asset to offset future employer contributions to the Public Employee Retirement Plan administered by the Tennessee Consolidate Retirement System.

Management's Discussion and Analysis

Change in Net Assets

Table 2 presents a summary of government-wide activity for the year ended June 30, 2019 (as presented on page 17) with comparative data for the year ended June 30, 2018.

Table 2
Change in Net Position

	2019		2018	
	Amount	Percentage of Funding	Amount	Percentage of Funding
Revenues:				
Operating grants and contributions	\$ 24,010,609	76.64%	\$ 18,474,151	73.18%
Charges for services and other income	7,319,497	23.36%	6,770,666	26.82%
Total revenues	31,330,106	100.00%	25,244,817	100.00%
Expenses:				
Head Start	11,109,780	35.46%	10,715,872	42.45%
Low-Income Home Energy Assistance	6,545,971	20.89%	3,580,315	14.18%
Community Representative Payee	2,842,234	9.07%	2,523,074	9.99%
Workforce Innovation and Opportunity Act	1,744,369	5.57%	-	0.00%
Nutrition Services for the Elderly	1,497,478	4.78%	1,341,541	5.31%
Food Service	1,343,802	4.29%	1,206,267	4.78%
Community Service Block Grant	1,388,912	4.43%	939,123	3.72%
Senior Community Service Employment	637,480	2.03%	669,917	2.65%
Community Corrections	756,517	2.41%	744,248	2.95%
Homemaker Services for the Elderly	292,240	0.93%	296,943	1.18%
Foster Grandparents	282,335	0.90%	259,275	1.03%
Social Services Block Grant	221,208	0.71%	222,195	0.88%
Weatherization Assistance	281,484	0.90%	198,605	0.79%
Emergency Food Assistance	100,600	0.32%	98,920	0.39%
State Appropriations, Agency & Other	1,412,346	4.51%	1,902,401	7.54%
Total expenses	\$ 30,456,756	97.22%	\$ 24,698,696	97.84%
Change in net position	\$ 873,350	2.78%	\$ 546,121	2.16%

Net position increased by \$873,350 for the fiscal year compared to an increase in net position of \$546,121 for the prior year. Operating grants and contributions provided approximately 77% of the revenues for governmental activities for the current and 73% of the revenues for the prior fiscal year. These funds were expended in both years primarily for child education, energy assistance, and nutrition and other services for the elderly.

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.

Management's Discussion and Analysis

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, 2019, the Agency's governmental funds reported a total fund balance of approximately \$1.66 million, an increase of \$196,382 over the prior fiscal year.

The general fund is the Agency's primary operating fund. Revenues exceeded expenditures in this fund by \$196,382 for the fiscal year. The unassigned fund balance of the general fund was approximately \$1.6 million as of June 30, 2019.

Net Pension Asset

As of June 30, 2019, the Agency's net pension asset totaled \$1,978,114 compared to \$1,995,505 in the prior fiscal year; a net decrease of \$17,391. Additional information on the Agency's pension plan can be found in Note 12 of the financial statements.

General Fund Budgetary Highlights

The operating budget for the Agency is monitored on an ongoing basis. Staff may recommend necessary budget line items adjustments for the Board to approve. Once the amendment is approved it is processed in the accounting unit accordingly. For more information, the Comparison of the General Fund original and amended budgets and actual amounts are found on page 22.

Capital Assets

As of June 30, 2019, the Agency's capital assets totaled \$2,455,805 compared to \$2,441,194 in the prior fiscal year; a net increase of \$14,611. These assets include buildings and improvements, vehicles, equipment, and land. Additions to capital assets totaled \$287,472. Assets with an original cost of \$88,971 and accumulated depreciation of \$88,791 were disposed of during the fiscal year. The Agency also recognized depreciation expense of \$272,861. Additional information on the Agency's capital assets can be found in Note 6 of the financial statements.

Long-Term Debt

In April 2018, the Agency took out a loan of \$95,000 with First Nation Bank to be paid back over the course of 60 months to renovate our restrooms. As of June 30, 2019, the long-term debt totaled \$74,109. This improvement was used to make our restrooms handicap accessible and to modernize the original 1958 facilities.

Factors Bearing on SCHRA's Future

The Agency is dependent on federal and state funding in order to carry out its various programs. Under Section 4-29-236 of the *Tennessee Code Annotated*, the Agency is scheduled to terminate on June 30, 2021.



Management's Discussion and Analysis

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 Finance Director, South Central Human Resource Agency, P.O. Box 638, Fayetteville, TN 37334.

South Central Human Resource Agency
Statement of Net Position
June 30, 2019

Assets

Cash and cash equivalents	\$	522,845
Receivables		2,315,145
Inventories - kitchen supplies		37,819
Prepaid expenses		72,590
Restricted assets:		
Cash and cash equivalents		715,952
Inventories - food commodities		206,887
Net pension asset		1,978,114
Capital assets, not being depreciated		32,300
Capital assets, net of depreciation		2,423,505
<hr/>		
Total assets		8,305,157
<hr/>		

Deferred Outflows of Resources

Deferred outflows related to pension		939,921
<hr/>		

Liabilities

Accounts payable		472,161
Accrued payroll		231,145
Accrued payroll taxes and employee benefits		184,735
Due to funding source		6,424
Due to CRPP clients		710,697
Accrued leave		371,186
Accrued audit fee		36,000
Line of credit		200,000
Noncurrent liabilities		
Capital lease obligation - due within one year		23,403
Capital lease obligation - due in more than one year		6,558
Note payable - due within one year		18,547
Note payable - due in more than one year		55,563
<hr/>		
Total liabilities		2,316,419
<hr/>		

Deferred Inflows of Resources

Deferred inflows related to pension		65,039
<hr/>		

Net Position

Net investment in capital assets		2,351,734
Restricted for pension benefits		1,913,075
Unrestricted		2,598,811
<hr/>		
Total net position	\$	6,863,620
<hr/>		

The accompanying "Notes to Financial Statements" form an integral part of this statement.

South Central Human Resource Agency
Statement of Activities
For the Year Ended June 30, 2019

	Expenses	
Functions/Programs	Direct Expenses	Indirect Costs Allocated
Governmental Activities:		
Program activities:		
Head Start	\$ 10,291,502	\$ 818,278
Low-Income Home Energy Assistance	6,343,310	202,661
Community Representative Payee	2,832,605	9,629
Workforce Innovation and Opportunity Act	1,667,508	76,861
Nutrition Services for the Elderly	1,466,544	30,934
Community Service Block Grant	1,295,163	93,749
Senior Community Service Employment	632,036	5,444
Community Corrections	700,019	56,498
Homemaker Services for the Elderly	270,305	21,935
Foster Grandparents	274,079	8,256
Social Services Block Grant	204,604	16,604
Weatherization Assistance	273,667	7,817
Emergency Food Assistance	93,052	7,548
Other	983,907	3,192
Support services:		
Food service	1,249,942	93,860
State Appropriations, Agency and other	406,870	18,377
Total	\$ 28,985,113	\$ 1,471,643
Net Position - beginning of year (as originally reported)		
Prior period adjustment		
Net Position - beginning of year (as restated)		
Net Position - end of year		

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Revenues		Net Revenue (Expense) and Changes in Net Position
Charges for Services and Other Income	Operating Grants and Contributions	
\$ 5,793	\$ 11,140,547	\$ 36,560
-	6,546,169	198
2,842,985	-	751
-	1,743,165	(1,204)
821,232	705,047	28,801
3,900	1,377,063	(7,949)
-	640,433	2,953
57,381	698,963	(173)
292,645	-	405
-	279,382	(2,953)
-	221,421	213
-	280,868	(616)
-	98,402	(2,198)
1,804,455	39,764	857,120
1,344,572	-	770
146,534	239,385	(39,328)
\$ 7,319,497	\$ 24,010,609	873,350
		5,755,004
		235,266
		5,990,270
		\$ 6,863,620

South Central Human Resource Agency
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Children's Services Fund	Nutrition Fund
Assets			
Cash and cash equivalents	\$ 491,838	\$ -	\$ 31,007
Receivables			
Funding sources and others	10,674	512,876	117,434
Due from other funds	1,609,981	-	-
Inventories - kitchen supplies	-	-	37,819
Prepaid expenses	54,519	10,958	1,420
Restricted assets:			
Cash and cash equivalents	10,852	230,188	-
Inventories - food commodities	-	-	206,887
Total assets	\$ 2,177,864	\$ 754,022	\$ 394,567
Liabilities			
Accounts payable	\$ 159,643	\$ 176,146	\$ 57,738
Accrued payroll	30,482	66,415	27,370
Accrued payroll taxes and employee benefits	20,037	111,006	9,296
Due to funding sources	4,761	-	-
Due to other funds	-	238,870	244,715
Due to CRPP client	-	-	-
Line of credit	200,000	-	-
Accrued leave	68,051	161,585	55,448
Accrued audit fee	36,000	-	-
Total liabilities	518,974	754,022	394,567
Fund Balances			
Non-spendable	54,519	10,958	39,239
Unassigned	1,604,371	(10,958)	(39,239)
Total fund balances	1,658,890	-	-
Total liabilities and fund balances	\$ 2,177,864	\$ 754,022	\$ 394,567

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 522,845
1,532,165	141,996	2,315,145
-	-	1,609,981
-	-	37,819
4,564	1,129	72,590
474,912	-	715,952
-	-	206,887
<u>\$ 2,011,641</u>	<u>\$ 143,125</u>	<u>\$ 5,481,219</u>

\$ 69,798	\$ 8,836	\$ 472,161
64,412	42,466	231,145
32,528	11,868	184,735
1,663	-	6,424
1,066,266	60,130	1,609,981
710,697	-	710,697
-	-	200,000
66,277	19,825	371,186
-	-	36,000
<u>2,011,641</u>	<u>143,125</u>	<u>3,822,329</u>

4,564	1,129	110,409
<u>(4,564)</u>	<u>(1,129)</u>	<u>1,548,481</u>
-	-	1,658,890
<u>\$ 2,011,641</u>	<u>\$ 143,125</u>	<u>\$ 5,481,219</u>

**South Central Human Resource Agency
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the Year Ended June 30, 2019**

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

Total fund balance - governmental funds	\$	1,658,890
---	----	-----------

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

Cost of capital assets	\$	4,370,516
Accumulated depreciation		(1,914,711)
		2,455,805

Deferred inflows and outflows related to pension represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.

Deferred outflows related to pension	(65,039)	
Deferred outflows related to pension	939,921	874,882
		874,882

Long-term liabilities, including notes payable, compensated absences payable, and net pension liability, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.

Compensated absences liability		
Note payable	(74,110)	
Capital lease obligation	(29,961)	
Net pension asset	1,978,114	1,874,043
		1,874,043

Net position of governmental activities	\$	6,863,620
---	----	-----------

The accompanying "Notes to Financial Statements" form an integral part of this statement.

South Central Human Resource Agency
Statement of Revenues, Expenditures and Changes in Fund Balance –
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Children's Services Fund	Nutrition Fund
Revenues			
Grantor contributions	\$ 145,890	\$ 11,140,547	\$ 705,047
Performance based income	-	-	791,101
Program income	1,818,941	-	1,368,289
State and local contributions	93,682	-	-
Other income	131,653	5,793	6,414
Total revenues	2,190,166	11,146,340	2,870,851
Expenditures			
Salaries	881,735	5,393,031	581,769
Fringe benefits	300,418	2,101,110	176,531
Participant costs	9,988	67,326	19,425
Food	17,392	448,069	1,666,084
Indirect costs	18,582	818,278	124,794
Contract services	-	19,465	-
Insurance and bonding	86,421	20,375	7,525
Maintenance and repairs	66,245	142,531	13,419
Office supplies	58,595	11,310	5,214
Other	46,018	45,496	102,080
Postage	3,212	4,768	667
Printing and duplication	3,682	564	-
Professional services	121,106	275,289	8,163
Program supplies	48,277	672,195	9,318
Renovations	16,456	-	-
Rent and leases	94,711	379,322	34,869
Telephone	12,970	96,235	3,668
Transportation	17,727	15,861	2,051
Travel - in area	2,358	67,972	21,610
Travel - out of area	103,126	112,861	685
Utilities	55,303	153,978	28,807
Vehicles and equipment	29,462	300,304	64,172
Total expenditures	1,993,784	11,146,340	2,870,851
Net change in fund balances	196,382	-	-
Fund Balances - beginning	1,462,508	-	-
Fund Balances - ending	\$ 1,658,890	\$ -	\$ -

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 12,982,660	\$ 1,634,628	\$ 26,608,772
380,855	-	1,171,956
-	31,252	3,218,482
-	23,727	117,409
43,103	26,524	213,487
13,406,618	1,716,131	31,330,106
1,481,741	533,334	8,871,610
475,289	367,936	3,421,284
6,926,282	597,495	7,620,516
3,665	510	2,135,720
436,804	73,185	1,471,643
115,600	-	135,065
13,846	4,678	132,845
9,513	506	232,214
20,280	7,006	102,405
2,707,781	9,305	2,910,680
15,268	1,819	25,734
245	1,041	5,532
511,525	5,741	921,824
177,445	12,103	919,338
-	-	16,456
219,188	57,266	785,356
38,341	15,232	166,446
6,520	5,202	47,361
31,914	2,398	126,252
21,316	13,597	251,585
45,234	3,893	287,215
148,821	3,884	546,643
13,406,618	1,716,131	31,133,724
-	-	196,382
-	-	1,462,508
\$ -	\$ -	\$ 1,658,890

South Central Human Resource Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2019

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

Total net change in fund balance - governmental funds	\$	196,382
---	----	---------

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital outlay	287,472	
Depreciation expense	(272,861)	14,611

Negative pension expense in the statement of activities does not represent current financial resources is not reported as a decrease in expenditures in governmental funds	622,619	622,619
--	---------	---------

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities		
Principal payments on capital lease obligation	39,738	39,738

Change in net position of governmental activities	\$	873,350
---	----	---------

South Central Human Resource Agency
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 145,890	\$ 145,890	\$ 145,890	\$ -
Program income	1,794,965	1,794,965	1,818,941	23,976
State and local contributions	93,495	93,495	93,682	187
Other income	66,945	66,945	131,653	64,708
Total revenues	2,101,295	2,101,295	2,190,166	88,871
Expenditures				
Salaries	839,176	839,176	881,735	(42,559)
Fringe benefits	291,877	291,877	300,418	(8,541)
Participant costs	11,500	11,500	9,988	1,512
Food	18,612	18,612	17,392	1,220
Indirect costs	14,935	14,935	18,582	(3,647)
Contract services	500	500	-	500
Insurance and bonding	81,612	81,612	86,421	(4,809)
Maintenance and repairs	74,684	74,684	66,245	8,439
Nonexpendable supplies	2,300	2,300	-	2,300
Office supplies	60,378	60,378	58,595	1,783
Other	57,706	57,706	46,018	11,688
Postage	3,992	3,992	3,212	780
Printing and duplication	3,700	3,700	3,682	18
Professional services	116,962	116,962	121,106	(4,144)
Program supplies	83,541	83,541	48,277	35,264
Renovations	35,150	35,150	16,456	18,694
Rent and leases	106,166	106,166	94,711	11,455
Telephone	13,272	13,272	12,970	302
Transportation	15,589	15,589	17,727	(2,138)
Travel - in area	2,303	2,303	2,358	(55)
Travel - out of area	97,537	97,537	103,126	(5,589)
Utilities	52,250	52,250	55,303	(3,053)
Vehicles and equipment	84,524	84,524	29,462	55,062
Total expenditures	2,068,266	2,068,266	1,993,784	74,482
Net change in fund balances	33,029	33,029	196,382	(163,353)
Fund Balances - beginning	1,285,044	1,285,044	1,462,508	-
Fund Balances - ending	\$ 1,318,073	\$ 1,318,073	\$ 1,658,890	\$ (163,353)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

South Central Human Resource Agency
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Children’s Services Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 11,631,414	\$ 11,631,414	\$ 11,140,547	\$ (490,867)
Other income	4,500	4,500	5,793	1,293
Total revenues	11,635,914	11,635,914	11,146,340	(489,574)
Expenditures				
Salaries	5,656,798	5,656,798	5,393,031	263,767
Fringe benefits	2,321,573	2,321,573	2,101,110	220,463
Participant costs	36,034	36,034	67,326	(31,292)
Food	670,078	670,078	448,069	222,009
Indirect costs	854,746	854,746	818,278	36,468
Contract services	1,800	1,800	19,465	(17,665)
Insurance and bonding	41,546	41,546	20,375	21,171
Maintenance and repairs	262,793	262,793	142,531	120,262
Nonexpendable supplies	4,000	4,000	-	4,000
Office supplies	7,433	7,433	11,310	(3,877)
Other	43,961	43,961	45,496	(1,535)
Postage	5,185	5,185	4,768	417
Printing and duplication	2,992	2,992	564	2,428
Professional services	251,131	251,131	275,289	(24,158)
Program supplies	228,491	228,491	672,195	(443,704)
Rent and leases	409,182	409,182	379,322	29,860
Telephone	115,192	115,192	96,235	18,957
Transportation	13,207	13,207	15,861	(2,654)
Travel - in area	71,917	71,917	67,972	3,945
Travel - out of area	97,924	97,924	112,861	(14,937)
Utilities	144,717	144,717	153,978	(9,261)
Vehicles and equipment	193,917	193,917	300,304	(106,387)
Total expenditures	11,434,617	11,434,617	11,146,340	288,277
Excess of revenues over expenditures	201,297	201,297	-	201,297
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ 201,297	\$ 201,297	\$ -	\$ 201,297

The accompanying "Notes to Financial Statements" form an integral part of this statement.

South Central Human Resource Agency
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Nutrition Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 546,100	\$ 546,100	\$ 705,047	\$ 158,947
Performance based income	731,600	731,600	791,101	59,501
Program income	1,251,493	1,251,493	1,368,289	116,796
Other income	-	-	6,414	6,414
Total revenues	2,529,193	2,529,193	2,870,851	341,658
Expenditures				
Salaries	534,368	534,368	581,769	(47,401)
Fringe benefits	171,350	171,350	176,531	(5,181)
Participant costs	18,500	18,500	19,425	(925)
Food	1,627,570	1,627,570	1,666,084	(38,514)
Indirect costs	136,847	136,847	124,794	12,053
Contract services	420	420	-	420
Insurance and bonding	11,350	11,350	7,525	3,825
Maintenance and repairs	17,700	17,700	13,419	4,281
Nonexpendable supplies	1,800	1,800	-	1,800
Office supplies	1,350	1,350	5,214	(3,864)
Other	2,225	2,225	102,080	(99,855)
Postage	930	930	667	263
Printing and duplication	300	300	-	300
Professional services	6,350	6,350	8,163	(1,813)
Program supplies	5,920	5,920	9,318	(3,398)
Rent and leases	47,730	47,730	34,869	12,861
Telephone	4,060	4,060	3,668	392
Transportation	3,900	3,900	2,051	1,849
Travel - in area	16,000	16,000	21,610	(5,610)
Travel - out of area	2,700	2,700	685	2,015
Utilities	26,000	26,000	28,807	(2,807)
Vehicles and equipment	-	-	64,172	(64,172)
Total expenditures	2,637,370	2,637,370	2,870,851	(233,481)
Excess of revenues over expenditures	(108,177)	(108,177)	-	(108,177)
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ (108,177)	\$ (108,177)	\$ -	\$ (108,177)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

South Central Human Resource Agency
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Community Services Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grantor contributions	\$ 10,779,168	\$ 10,779,168	\$ 12,982,660	\$ 2,203,492
Performance based income	285,273	285,273	380,855	95,582
Other income	130,536	130,536	43,103	(87,433)
Total revenues	11,194,977	11,194,977	13,406,618	2,211,641
Expenditures				
Salaries	2,281,029	2,281,029	1,481,741	799,288
Fringe benefits	543,787	543,787	475,289	68,498
Participant costs	6,147,137	6,147,137	6,926,282	(779,145)
Food	2,787	2,787	3,665	(878)
Indirect costs	490,284	490,284	436,804	53,480
Contract services	119,188	119,188	115,600	3,588
Insurance and bonding	19,736	19,736	13,846	5,890
Maintenance and repairs	16,008	16,008	9,513	6,495
Nonexpendable supplies	5,041	5,041	-	5,041
Office supplies	28,398	28,398	20,280	8,118
Other	12,077	12,077	2,707,781	(2,695,704)
Postage	18,284	18,284	15,268	3,016
Printing and duplication	40,205	40,205	245	39,960
Professional services	568,875	568,875	511,525	57,350
Program supplies	200,665	200,665	177,445	23,220
Rent and leases	324,467	324,467	219,188	105,279
Telephone	44,832	44,832	38,341	6,491
Transportation	10,440	10,440	6,520	3,920
Travel - in area	49,613	49,613	31,914	17,699
Travel - out of area	44,798	44,798	21,316	23,482
Utilities	50,642	50,642	45,234	5,408
Vehicles and equipment	184,192	184,192	148,821	35,371
Total expenditures	11,202,485	11,202,485	13,406,618	(2,204,133)
Excess of revenues over expenditures	(7,508)	(7,508)	-	(7,508)
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ (7,508)	\$ (7,508)	\$ -	\$ (7,508)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

**South Central Human Resource Agency
Notes to Financial Statements
For the Year Ended June 30, 2019**

NOTE

- 1 Summary of Significant Accounting Policies
- 2 Stewardship, Compliance and Accountability
- 3 Deposits and Investments
- 4 Receivables
- 5 Interfund Activity
- 6 Capital Assets
- 7 Lease Agreements
- 8 Due to CRPP Clients
- 9 Line of Credit
- 10 Long-Term Debt
- 11 Deferred Contribution Plans
- 12 Employee Retirement Plan
- 13 Risk Management
- 14 Commitments and Contingencies
- 15 Related Parties
- 16 Prior Period Adjustment
- 17 Subsequent Events

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of South Central Human Resource Agency (the “Agency”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

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.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Financial Statements: The government-wide financial statements include the statement of net position and the statement of activities. In the statement of net position, the governmental funds are presented on a consolidated basis, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency’s net position is reported in three parts: net investment in capital assets, restricted, and unrestricted. The statement of activities presents a comparison of expenses and revenues for each major function/program of the Agency. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function/program. Indirect costs represent allocated administrative costs. Revenues include (a) charges for services offered and other income recognized by a particular function/program and (b) operating grants and contributions that are restricted to meeting the operational requirements of a particular program. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements: The fund financial statements provide information about the Agency’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency reports the following major governmental funds:

General Fund – This is the Agency’s primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Children’s Services Fund – This fund accounts for all financial activity that relates to Head Start, Early Head Start programs and the USDA Reimbursement program. All expenses and revenues are allocated based on Head Start Performance Standards and Uniform Guidance. The programs in this fund provide comprehensive educational opportunities for low-income and special needs children and empower families.

Community Services Fund – This fund accounts for all financial activity that relates to programs that provide services needed by the elderly, handicapped and low income persons. All expenses and revenues are allocated based on standards set forth by the state and Uniform Guidance.

Nutrition Fund – This fund accounts for all financial activity that relates to the nutrition program. This includes programming to provide meals at congregate sites to persons over the age of 60 and meals to eligible homebound. The nutrition fund also accounts for the food service program that provides meals at congregate sites for a fee without limited qualifications and our catering program. The catering program is a full service program that caters to the public for a fee. Funds from catering help generate income to help sustain the nutrition program.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and contributions are non-exchange transactions and are recognized as revenue as soon as all requirements imposed by the grantor or contributor have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental Fund Financial Statements: 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.

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 generally 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.

Assets, Liabilities, Deferred Outflows of Resources, and Net Position

Cash and Cash Equivalents

For financial statement purposes, the Agency considers cash equivalents to include investments in the State of Tennessee Local Government Investment Pool (LGIP) and any other highly liquid investments with maturities of three months or less.

Receivables

Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Loans and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

Restricted Assets

Restricted assets at June 30, 2019 consist of cash and cash equivalents which are restricted by the types of expenditures allowed per the grantor and inventory of food commodities.

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities.

In the fund financial statements, expenditures for debt principal, interest, and related costs are reported in the fiscal year payments are made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as an other financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

Compensated Absences

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, 2019.

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, 2019.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

inflow of resources (revenue) until that time. The Agency reports deferred pension charges and credits in its statements of net position in connection with its participation in the Public Employee Retirement Plan of the TCRS. Deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (asset) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP. Deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

Pension Plan

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's participation in the Public Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the Agency's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Net Position/Fund Equity

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net asset categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation, and reduced by any amounts due attributable to the acquisition, construction, or improvement of those assets.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

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 – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that contain self-imposed constraints of the government from its highest level of decision making authority.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – All other spendable amounts.

Fund balances at June 30, 2019 are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid expenses	\$ 54,519	\$ 10,958	\$ 1,420	\$ 4,564	\$ 1,129	\$ 72,590
Food Service Inventory	-	-	34,362	-	-	34,362
Ensure Inventory	-	-	3,457	-	-	3,457
Unassigned	1,604,371	(10,958)	(39,239)	(4,564)	(1,129)	1,548,481
	\$ 1,658,890	\$ -	\$ -	\$ -	\$ -	\$ 1,658,890

Management Estimates and Assumptions

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.

Impact of Recently Issued Accounting Pronouncements

In Fiscal Year 2019, the Agency adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83)
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88)

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 83 establishes standards of accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. GASB 83 had no impact on the Agency’s financial statements.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant subjective acceleration clauses. GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018. Details of the Agency’s implementation with respect to GASB 88 is included in the Long-Term Debt (see Note 8).

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Agency upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2020
91	<i>Conduit Debt Obligations</i>	2022

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end. The Agency adopts its annual budget during the quarter preceding the new fiscal year.

Amendments are approved throughout the year as needed.

South Central Human Resource Agency Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Risks

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, 2019, the carrying amount of the Agency's deposits was \$1,238,797, which were fully insured or collateralized.

NOTE 4 – RECEIVABLES

Receivables from grantor agencies and others included on the accompanying financial statements as of June 30, 2019, are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Government	Total
Tennessee Housing Development	\$ -	\$ -	\$ -	\$ 657,669	\$ -	\$ 657,669
Tennessee Dept of Human Svs	-	-	-	525,058	-	525,058
Senior Service America, Inc.	-	-	-	-	54,267	54,267
St of TN Dept of Agriculture	-	-	-	16,380	-	16,380
U.S. Dept of Health and Human Services	-	512,876	-	28,806	-	541,682
Other	10,674	-	3,960	-	-	14,634
South Central TN Development District	-	-	113,474	304,252	-	417,726
Office of Criminal Justice Programs (JAG)	-	-	-	-	8,195	8,195
St of TN Dept. of Mental Health & Substance Abuse Services	-	-	-	-	8,642	8,642
St of Tennessee Dept of Corrections	-	-	-	-	40,157	40,157
Corporation for National and Community Service	-	-	-	-	30,735	30,735
Total receivables	\$ 10,674	\$ 512,876	\$ 117,434	\$ 1,532,165	\$ 141,996	\$ 2,315,145

All receivables are considered fully collectible and, accordingly, no allowance for uncollectible accounts has been recorded.

**South Central Human Resource Agency
Notes to Financial Statements**

NOTE 5 – INTERFUND ACTIVITY

Due to/from other funds at June 30, 2019 consisted of the following amounts:

Due to	Due from				Total
	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Governmental Funds	
General	\$ (238,870)	\$ (244,715)	\$ (1,066,266)	\$ (60,130)	\$ (1,609,981)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Capital assets being depreciated:				
Buildings and improvements	2,774,803	16,200	-	2,791,003
Vehicles	1,066,569	238,343	59,233	1,245,679
Equipment	298,163	32,929	29,558	301,534
Total capital assets being depreciated	4,139,535	287,472	88,791	4,338,216
Less accumulated depreciation for:				
Buildings and improvements	816,838	104,991	-	921,829
Vehicles	645,039	149,375	59,233	735,181
Equipment	268,764	18,495	29,558	257,701
Total accumulated depreciation	1,730,641	272,861	88,791	1,914,711
Total capital assets being depreciated, net	2,408,894	14,611	-	2,423,505
Total governmental activities capital assets, net	\$ 2,441,194	\$ 14,611	\$ -	\$ 2,455,805

Depreciation expense was charges to function/programs of the primary government as follows:

Governmental Activities	
General Fund	\$ 101,415
Children's Services Fund	152,046
Nutrition Fund	8,998
Community Service Fund	10,402
	\$ 272,861

South Central Human Resource Agency Notes to Financial Statements

NOTE 7 – LEASE AGREEMENTS

The Agency leases real estate, vehicles, and equipment for operation of its programs. Rent for the year ended June 30, 2019 totaled \$785,356 including allocated building costs of \$222,451. The Agency's leases are generally cancelable with thirty days' notice in the event that the Agency loses federal or state funding for any program which utilizes leased property.

NOTE 8 – DUE TO CRPP CLIENTS

Due to CRPP clients total \$ 710,697 for the year ended June 30, 2019 which consists of client money funded by client fees established by the Social Security Administration and Veterans Administration that have not been expended as of year-end.

NOTE 9 – LINE OF CREDIT

First National Bank – The Agency entered into an agreement for an operating line of credit with a maximum amount of credit available of \$500,000. The line of credit bears interest at rate of 3.25% with interest due monthly and all outstanding principal due at maturity on May 8, 2020. The outstanding balance at June 30, 2019 was \$200,000. Draws and principal repayments during the year ended June 30, 2019 totaled \$200,000 and \$-0-, respectively.

NOTE 10 – LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance July 1, 2018	Proceeds	Retirements	Balance June 30, 2019	Amounts Due Within One Year
Compensated absences:					
General Fund	\$ 59,077	\$ 9,919	\$ 945	\$ 68,051	\$ -
Children's Services	143,029	466,196	447,640	161,585	-
Nutrition	50,834	4,844	230	55,448	-
Community Services	42,653	25,206	1,582	66,277	-
Other Governmental	15,679	286,760	282,614	19,825	-
Total	311,272	792,925	733,011	371,186	-

**South Central Human Resource Agency
Notes to Financial Statements**

NOTE 10 – LONG-TERM DEBT (Continued)

	Balance July 1, 2018	Proceeds	Retirements	Balance June 30, 2019	Amounts Due Within One Year
Capital leases from direct borrowings:					
Fork lift lease	14,536	-	4,000	10,536	4,121
Phone lease	38,708	-	19,282	19,426	19,282
Total	53,244	-	23,282	29,962	23,403
Note from direct borrowings:					
Line of credit	-	-	-	-	-
Bathroom renovations	90,565	-	16,456	74,109	18,547
Total Long-Term Liabilities	\$ 455,081	\$ 792,925	\$ 772,749	\$ 475,257	\$ 41,950

Fork lift lease - In December 2016, the Agency entered into a sixty month lease agreement with U.S. Bank Equipment Finance for a new forklift. The lease has been reported as a capital lease obligation as it contains an option for the Agency to purchase the equipment for \$1 at the end of the lease. The capital lease obligation has an implicit interest rate of 2.98% and calls for monthly payments of \$365. Lease payments are made by the General Fund.

Phone lease - In February 2018, the Agency purchased cell phones from AT&T, Inc. on a buy one get one free option where the phones were to be paid off over a 30 month span.

As of June 30, 2019 assets recorded under capital leases were \$20,317 with accumulated depreciation of \$10,497. Amortization expense for assets under capital leases was \$4,063 for the year ended June 30, 2019 and is included in depreciation expense.

The maturity schedule for capital leases from direct borrowings are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 23,403	\$ 258
2021	4,389	134
2022	2,170	19
	\$ 29,962	\$ 412

Bathroom renovations - In April 2018, the Agency entered into a sixty-month agreement with First National Bank for bathroom renovations. The note has an implicit interest rate of 2.95% and calls for monthly payments of \$1,707. Note payments are made by the General Fund.

**South Central Human Resource Agency
Notes to Financial Statements**

NOTE 10 – LONG-TERM DEBT (Continued)

The maturity schedule for the note from direct borrowings is as follows:

Fiscal Year Ending June 30,	Principal		Interest	
2020	\$	18,547	\$	1,935
2021		19,101		1,380
2022		19,672		809
2023		16,789		225
	\$	74,109	\$	4,349

NOTE 11 – DEFERRED CONTRIBUTION PLANS

State of Tennessee 401(k) Retirement Funds

The Agency has adopted the Section 401(k) Cash or Deferred State of Tennessee Deferred Compensation Plan II (“401 (k)”) administered by the State of Tennessee Treasurer effective July 1, 2017. Employees are eligible to participate in the 401(k) on the first day of employment. Employee contributions in any taxable year are also subject to certain statutory limitations. Employees may also contribute amounts representing distributions from other qualified defined benefit or contribution plans (“rollovers”). Employee contributions are invested in the participant’s individual account after each payroll period and are fully vested in one year. The Agency matches employees who contribute at least 5%. The employer match is based on years of service, employees with 6 months – 15 years’ service are eligible for a 5% match and employees with 15 years plus service are eligible for an 8% match. Employee contributions to the 401(k) totaled \$307,029 for the year ended June 30, 2019.

State of Tennessee 457(b) Retirement Funds

The Agency adopted the Tennessee State Employees Deferred Compensation Plan and Trust for Section 457(b) Eligible Deferred Compensation Plan a (“457(b)”) administered by the State of Tennessee Treasurer effective July 1, 2017. Employees are eligible to participate in the 457(b) on the first day of employment. Employee contributions in any taxable year are also subject to certain statutory limitations. Employees may also contribute amounts representing distributions from other qualified defined contribution plans (“rollovers”). Employee contributions are invested in the participant’s individual account after each payroll period and are fully vested in one year. The Agency matches employees who contribute at least 5%. The employer match is based on years of service, employees with 6 months – 15 years’ service are eligible for a 5% match and employees with 15 years plus service are eligible for an 8% match.

South Central Human Resource Agency
Notes to Financial Statements

NOTE 12 – EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

Plan description. Employees of the Agency are provided a defined benefit pension plan (the “pension plan”) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (“COLA”)s after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	20
<u>Active employees</u>	<u>180</u>
<u>Total</u>	<u>206</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Agency makes employer contributions at the rate set by the Board of Trustees as

South Central Human Resource Agency Notes to Financial Statements

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

determined by an actuarial valuation. For the year ended June 30, 2019, the employer contributions for the Agency was \$286,309 based on a rate of 5.0% covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Agency's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Agency's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement. The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 2.50%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

**South Central Human Resource Agency
Notes to Financial Statements**

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31.00%
Developed market international equity	5.29%	14.00%
Emerging market international equity	6.36%	4.00%
Private equity and strategic lending	5.79%	20.00%
U.S. fixed income	2.01%	20.00%
Real estate	4.32%	10.00%
Short-term securities	0.00%	1.00%
Total		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Agency will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 174,802	\$ 2,170,307	\$ (1,995,505)
Changes for the year:			
Service cost	68	-	68
Interest	12,224	-	12,224
Differences between expected and actual experience	666,067	-	666,067
Contributions - employer	-	235,266	(235,266)
Contributions - employee	-	235,265	(235,265)
Net investment income	-	198,808	(198,808)
Benefit payments, including refunds of employee contributions	(12,531)	(12,531)	-
Administrative expense	-	(16,470)	16,470
Other changes	-	8,099	(8,099)
Net changes	665,828	648,437	17,391
Balances at June 30, 2019	\$ 840,630	\$ 2,818,744	\$ (1,978,114)

**South Central Human Resource Agency
Notes to Financial Statements**

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability(asset) of the Agency calculated using the discount rate of 7.25%, as well as what the Agency’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Agency’s net pension liability (asset)	\$ (1,803,572)	\$ (1,978,114)	\$ (2,114,931)

Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Negative pension expense. For the year ended June 30, 2019, the Agency recognized negative pension expense of \$335,680.

Deferred outflows and deferred inflows or resources. For the year ended June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 599,460	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	53,522	65,039
Employer contributions subsequent to the measurement date	286,309	-
Total	\$ 939,921	\$ 65,039

Employer contributions subsequent to the measurement date of \$286,309 will be recognized in pension expense in the next fiscal year. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 81,585
2021	65,143
2022	46,605
2023	61,575
2024	66,607
Thereafter	267,058

South Central Human Resource Agency Notes to Financial Statements

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

The table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE 13 – 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% of the total premium for its employees.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Substantially all of the Agency's revenues and related receivables are provided through grants or contracts with federal, state and local agencies. The Agency's compliance with the requirements of these grants and contract is subject to audit or other verification at the discretion of the applicable agency. Management is not aware of any deficiencies or other noncompliance issues which, upon ultimate resolution, would have a material adverse impact on the financial statements of the Agency. In addition, the operations of the Agency are subject to the administrative directives, rules and regulations of these agencies. Such administrative directives, rules and regulations are subject to change by an act of the United States Congress or its designees. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Under Section 4-29-236 of the Tennessee Code Annotated, the Agency is scheduled to terminate on June 30, 2021.



South Central Human Resource Agency Notes to Financial Statements

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

At times, the Agency is involved in litigation and claims arising in the ordinary course of business. In the opinion of legal counsel, the range of potential recoveries or liabilities in excess of insurance coverage, if any, is not reasonably determinable and no loss contingencies have been recorded.

NOTE 15 – RELATED PARTIES

Various members of the Council's Board of Directors also serve in the capacity of Chairman, Mayor, Councilman, etc., of the member governments.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2019, an error was discovered in which employer contributions to the pension plan subsequent to the measurement date of June 30, 2017 were not reported as deferred outflow as of June 30, 2018. Accordingly, a prior period adjustment of \$235,266, was recorded to increase beginning net position and deferred outflows.

NOTE 17 – SUBSEQUENT EVENTS

The Council has evaluated events through December 19, 2019 the date the financial statements were available to be issued, and there were none to disclose.

**South Central Human Resource Agency
Required Supplementary Information
Schedule of Changes in Net Pension Liability**

<i>June 30,</i>	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 68	\$ 414	\$ 1,223	\$ 1,218	\$ 1,234
Interest	12,224	11,534	10,910	10,843	10,746
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual	666,067	12,031	5,801	(5,950)	(7,493)
Changes of assumptions	-	2,470	-	-	-
Benefit payments, including refunds of employee contributions	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Net change in total pension liability	665,828	16,402	10,373	3,229	1,017
Total pension liability - beginning	174,802	158,400	148,027	144,798	143,781
Total pension liability - ending (a)	\$ 840,630	\$ 174,802	\$ 158,400	\$ 148,027	\$ 144,798
Plan Fiduciary Net Position					
Contributions - employer	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions - member	235,265	-	-	-	-
Net investment income	198,808	221,395	50,710	57,285	264,954
Benefit payments, including refunds of employee	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Administrative expense	(16,470)	-	-	-	(119)
Other	8,099	-	-	-	-
Net change in plan fiduciary net position	648,437	211,348	43,149	54,403	261,365
Plan net position - beginning	2,170,307	1,958,959	1,915,810	1,861,407	1,600,042
Plan net position - ending (b)	\$ 2,818,744	\$ 2,170,307	\$ 1,958,959	\$ 1,915,810	\$ 1,861,407
Net pension liability (asset) - ending (a) - (b)	\$ (1,978,114)	\$ (1,995,505)	\$ (1,800,559)	\$ (1,767,783)	\$ (1,716,609)
Plan fiduciary net position as a percentage of the total pension	335.31%	1241.58%	1236.72%	1294.23%	1285.52%
Covered payroll**	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of Covered payroll	-42.04%	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes of assumptions . In 2017, amounts reported as changes of assumptions resulted from changes in the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

*GASB requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**South Central Human Resource Agency
Required Supplementary Information
Schedule of Employer Contributions**

<i>June 30,</i>	2019	2018	2017	2016	2015	2014
Actuarially determined contribution*	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially	286,309	235,266	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	5.00%	5.00%	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2019 were calculated based on the results of the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method value	10- year smoothed within a 20 percent corridor to market
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25%, net investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actuarial experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25%

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**South Central Human Resource Agency
Supplementary Information
Combining Balance Sheet – Non-major Governmental Funds
June 30, 2019**

	Senior Services Fund	Justice Services Fund	Total Other Governmental Funds
Assets			
Receivables			
Funding sources and others	\$ 85,002	\$ 56,994	\$ 141,996
Prepaid expenses	761	368	1,129
Total assets	\$ 85,763	\$ 57,362	\$ 143,125
Liabilities			
Accounts payable	\$ 5,139	\$ 3,697	\$ 8,836
Accrued payroll	28,054	14,412	42,466
Accrued payroll taxes and employee benefits	2,473	9,395	11,868
Due to other funds	41,721	18,409	60,130
Accrued leave	8,376	11,449	19,825
Total liabilities	85,763	57,362	143,125
Fund Balances			
Non-spendable	10,958	4,564	1,129
Unassigned	(10,958)	(4,564)	(1,129)
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 85,763	\$ 57,362	\$ 143,125

**South Central Human Resource Agency
Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund
Balance – Non-major Governmental Funds
For the Year Ended June 30, 2019**

	Senior Services Fund	Justice Services Fund	Total Other Governmental Funds
Revenues			
Grantor contributions	\$ 959,342	\$ 675,286	\$ 1,634,628
Program income	-	31,252	31,252
State and local contributions	-	23,727	23,727
Other income	-	26,524	26,524
Total revenues	959,342	756,789	1,716,131
Expenditures			
Salaries	107,921	425,413	533,334
Fringe benefits	218,952	148,984	367,936
Participant costs	576,188	21,307	597,495
Food	473	37	510
Indirect costs	16,667	56,518	73,185
Insurance and bonding	2,150	2,528	4,678
Maintenance and repairs	83	423	506
Office supplies	3,095	3,911	7,006
Other	1,630	7,675	9,305
Postage	1,470	349	1,819
Printing and duplication	1,039	2	1,041
Professional services	-	5,741	5,741
Program supplies	866	11,237	12,103
Rent and leases	14,680	42,586	57,266
Telephone	5,433	9,799	15,232
Transportation	975	4,227	5,202
Travel - in area	81	2,317	2,398
Travel - out of area	4,830	8,767	13,597
Utilities	493	3,400	3,893
Vehicles and equipment	2,316	1,568	3,884
Total expenditures	959,342	756,789	1,716,131
Net change in fund balances	-	-	-
Fund Balances - beginning	-	-	-
Fund Balances - ending	\$ -	\$ -	\$ -

**South Central Human Resource Agency
Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Senior Services Fund
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 979,376	\$ 979,376	\$ 959,342	\$ (20,034)
Expenditures				
Salaries	110,771	110,771	107,921	2,850
Fringe benefits	218,286	218,286	218,952	(666)
Participant costs	574,804	574,804	576,188	(1,384)
Food	1,851	1,851	473	1,378
Indirect costs	17,853	17,853	16,667	1,186
Insurance and bonding	3,065	3,065	2,150	915
Maintenance and repairs	350	350	83	267
Nonexpendable supplies	50	50	-	50
Office supplies	3,250	3,250	3,095	155
Other	5,088	5,088	1,630	3,458
Postage	1,802	1,802	1,470	332
Printing and duplication	1,100	1,100	1,039	61
Professional services	5,006	5,006	-	5,006
Program supplies	1,505	1,505	866	639
Rent and leases	16,610	16,610	14,680	1,930
Telephone	6,445	6,445	5,433	1,012
Transportation	1,750	1,750	975	775
Travel - in area	520	520	81	439
Travel - out of area	6,602	6,602	4,830	1,772
Utilities	444	444	493	(49)
Vehicles and equipment	2,224	2,224	2,316	(92)
Total expenditures	979,376	979,376	959,342	20,034
Excess of revenues over expenditures	-	-	-	-
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ -	\$ -	\$ -	\$ -

**South Central Human Resource Agency
Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Justice Services Fund
For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 700,866	\$ 700,866	\$ 675,286	\$ (25,580)
Program income	39,132	39,132	31,252	(7,880)
State and local contributions	35,700	35,700	23,727	(11,973)
Other income	20,800	20,800	26,524	5,724
		-		
Total revenues	796,498	796,498	756,789	(39,709)
Expenditures				
Salaries	431,361	431,361	425,413	5,948
Fringe benefits	153,592	153,592	148,984	4,608
Participant costs	27,166	27,166	21,307	5,859
Food	50	50	37	13
Indirect costs	58,868	58,868	56,518	2,350
Insurance and bonding	3,435	3,435	2,528	907
Maintenance and repairs	520	520	423	97
Nonexpendable supplies	220	220	-	220
Office supplies	4,150	4,150	3,911	239
Other	4,920	4,920	7,675	(2,755)
Postage	2,729	2,729	349	2,380
Printing and duplication	1	1	2	(1)
Professional services	5,955	5,955	5,741	214
Program supplies	11,176	11,176	11,237	(61)
Rent and leases	44,879	44,879	42,586	2,293
Telephone	9,413	9,413	9,799	(386)
Transportation	4,500	4,500	4,227	273
Travel - in area	2,900	2,900	2,317	583
Travel - out of area	9,600	9,600	8,767	833
Utilities	3,600	3,600	3,400	200
Vehicles and equipment	1,254	1,254	1,568	(314)
		-		
Total expenditures	780,289	780,289	756,789	23,500
Excess of revenues over expenditures	16,209	16,209	-	16,209
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ 16,209	\$ 16,209	\$ -	\$ 16,209

**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***

Board of Directors
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, each major fund, and the aggregate remaining fund information of the South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report dated thereon December 19, 2019.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

December 19, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
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 Compliance Supplement* that could have a direct and material effect on the Agency's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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 its major federal program for the year ended June 30, 2019.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

December 19, 2019

South Central Human Resource Agency
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct programs:				
Head Start	93.600	O4CH465005	\$ -	\$ 1,301,082
Head Start	93.600	O4HP001703	-	472,496
Head Start	93.600	O4CH010668	-	6,949,612
Head Start	93.600	O4HP001704	-	1,904,185
Total direct programs/Subtotal for 93.600				- 10,627,375
Passed through Tennessee Housing Development Agency				
Low-Income Home Energy Assistance	93.568	LIHEAP-17-15	-	133,321
Low-Income Home Energy Assistance	93.568	LIHEAP-18-15	-	6,293,604
Low-Income Home Energy Assistance	93.568	LWx-17-11	-	3,109
Low-Income Home Energy Assistance	93.568	LWx-18-11	-	147,449
Subtotal for 93.568				- 6,577,483
Passed through the State of Tennessee Department of Human Services				
Community Services Block Grant	93.569	Z-19-49116	-	688,061
Community Services Block Grant	93.569	Z-19-49116 SP	-	699,387
Subtotal for 93.569				1,387,448
Social Services Block Grant	93.667	Z-18-49316A	-	54,582
Social Services Block Grant	93.667	Z-19-49316	-	166,626
Subtotal for 93.667				- 221,208
Total pass-through				- 8,186,139
Total U.S. Department of Health and Human Services				- 18,813,514
U.S. Department of Agriculture				
Passed through State of Tennessee Department of Agriculture				
Child and Adult Care Food Program	10.558	03-47-56026-00-1	-	513,170
Emergency Food Assistance Program				
(Administrative Costs)***	10.568	66725	-	35,615
Emergency Food Assistance Program				
(Administrative Costs)***	10.568	70723	-	62,786
Subtotal for 10.568				- 98,401
Emergency Food Assistance Program				
(Food Commodities)***(n)	10.569	N/A	-	206,887
Total Food Distribution Cluster				- 305,288
Total U.S. Department of Agriculture				- 818,458

-Continued-

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**South Central Human Resource Agency
Schedule of Expenditures of Federal Awards and
State Financial Assistance (Continued)
For the Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
Corporation for National and Community Service				
Direct Program				
Retired Senior Volunteer Program	94.002	18SRSTN003	-	39,527
Foster Grandparent Program**	94.011	17SFSTN003	-	279,382
Total Corporation for National and Community Service			-	318,909
U.S. Department of Labor				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	TN2999	-	645,878
U.S. Department of Energy				
Passed through Tennessee Housing Development Agency				
Weatherization Assistance for Low-Income Persons	81.042	WAP-18-11	-	281,484
U.S. Department of Justice				
Passed through State of Tennessee Department of Finance and Admin Office of Criminal Justice				
Office of Criminal Justice Programs (JAG)	16.738	N/A	-	63,396
Total expenditures of federal awards			\$ -	\$ 20,941,639

State Grantor/Program Title	CSFA No.	Number	Passed Through to Subrecipients	Expenditures
State of Tennessee Department of Human Services	N/A	Direct Appropriation	\$ -	\$ 182,055
State of Tennessee Department of Corrections	N/A	41931	-	504,194
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lincoln)	N/A	58888	-	77,980
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lawrence)	N/A	58888	-	80,167
Total expenditures of state financial assistance			\$ -	\$ 844,396

**Foster Grandparent/Senior Companion Cluster

***Food Distribution Cluster

(n) Non-cash assistance

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

South Central Human Resource Agency Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the SEFA) summarizes the federal expenditures of the Agency under programs of the federal government for the year ended June 30, 2019. The amounts reported as federal expenditures were obtained from the Agency's general ledger. Because the SEFA presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position and changes in net position of the Agency.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The Agency has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Two clusters are separately identified in the SEFA and are the following:

Food Distribution Cluster

This cluster includes awards that strengthen the nutrition safety net through the provision of U.S. Department of Agriculture (USDA)-donated foods (USDA foods) to low-income persons.

Foster Grandparent/Senior Companion Cluster

This cluster includes awards that allow adults, ages 55 and older, to serve as mentors, tutors, and supportive adults to children and youth with special or exceptional needs or circumstances identified as limiting their academic, social, or emotional development. Foster Grandparents serve in community organizations such as schools, Head Start programs, and youth centers.

NOTE 2 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding Federal, State and/or pass-through agencies and the SEFA may differ. Some of the factors that may account for any difference include the following:

- The Agency's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Agency's financial statements and as expenditures in the program financial reports.

**South Central Human Resource Agency
Notes to Schedule of Expenditures of Federal Awards and
State Financial Assistance**

NOTE 3 – FEDERAL PASS-THROUGH FUNDS

The Agency is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as “pass-through” are considered direct and will be designated accordingly.

NOTE 4 – BASIS OF ACCOUNTING

This SEFA was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the Agency’s federal grants.

NOTE 5 – INDIRECT COST

The Agency has not elected to use the 10% de Minimis cost rate for the year ended June 30, 2019.

NOTE 6 – CONTINGENCIES

Grant monies received and disbursed by the Agency are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Council does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of June 30, 2019, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE 7 – NONCASH ASSISTANCE

Food commodities are expended when the food is distributed. The amount expended is based on food commodity values provided by the State of Tennessee, Department of Agriculture. At June 30, 2019, the Agency had food commodities totaling \$206,887.

NOTE 8 – SUBRECIPIENTS

The Agency did not provide federal funds to subrecipients for the fiscal year ending June 30, 2019.



**South Central Human Resource Agency
Notes to Schedule of Expenditures of Federal Awards and
State Financial Assistance**

NOTE 9 – LOANS AND LOAN GUARANTEES

The Agency did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ending June 30, 2019.

NOTE 10 – FEDERALLY FUNDED INSURANCE

The Agency did not have any federally funded insurance required to be reported on the schedule for the fiscal year ending June 30, 2019.

**South Central Human Resource Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | None noted |
| 4. Identification of major programs | |

CFDA Number	Federal Program
93.600	Head Start
5. Dollar threshold used to distinguish between type A and type B programs	\$750,000
6. Auditee qualified as low-risk under 2CFR 200.520	Yes

Section II – Financial Statements Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



**South Central Human Resource Agency
Summary Schedule of Prior Audit Findings for Federal Awards and
State Financial Assistance
For the Year Ended June 30, 2019**

There were no such findings or questioned costs in the prior year and no corrective action plan was required.