



**South Central Human Resource Agency**

**FINANCIAL STATEMENTS**

**June 30, 2024**



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**South Central Human Resource Agency  
Public Officials  
As of June 30, 2024**

Co. Executive Jim Mangubat, Chairman

Co. Mayor Mike Keny, Vice Chairperson

Metro Co. Mayor Sloan Stewart, Secretary

SCHRA BOARD OF DIRECTORS

County	Co. Executive/Co. Mayor
Bedford	Co. Mayor Chad Graham
Coffee	Co. Mayor Dennis Hunt
Franklin	Co. Mayor Chris Guess
Giles	Co. Executive Graham Stowe
Hickman	Co. Mayor Jim Bates
Lawrence	Co. Executive David Morgan
Lewis	Co. Mayor Jonah Keltner
Lincoln	Co. Mayor Bill Newman
Marshall	Co. Mayor Mike Keny
Maury	Co. Mayor Shelia Butt
Moore	Metro/Co. Mayor Sloane Stewart
Perry	Co. Mayor John Carroll
Wayne	Co. Executive Jim Mangubat

City Mayors

First Division	Lawrenceburg City Mayor Blake Lay
Second Division	Linden City Mayor Wess Ward
Third Division	Fayetteville City Mayor Donna Hartman

State Representatives

District 28	Joey Hensley, State Senator
District 39	Iris Rudder, State Representative

Additional Members

Low-Income Representative	Robert Williams
Low-Income Representative	Janet Vanzant
Low-Income Representative	Charles Sain
Low-Income Representative	Dr. Bill Heath
Low-Income Representative	Peggy Lewis
Low-Income Representative	Rick Humphrey
Low-Income Representative	T.R. Williams
Low-Income Representative	Gary Stovall
Low-Income Representative	Anthony Taylor
Legal Representative	Judge John Damron
Financial Representative	Michael Crane
Education Representative	Xavier Hamler



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## **INDEPENDENT AUDITOR’S REPORT**

Board of Directors and Management  
South Central Human Resource Agency  
Fayetteville, Tennessee

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Central Human Resource Agency (the “Agency”) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2024, 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.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and pension related information be presented to supplement the basic financial statements on pages 44 through 45. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying combining non-major governmental fund financial statements and the schedules 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 schedules 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements and the schedules 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.

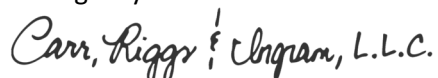
## Other Information

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

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024 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.

Enterprise, Alabama  
December 5, 2024

## South Central Human Resource Agency Management's Discussion and Analysis

This discussion is intended to present a broad view of South Central Human Resource Agency's financial position and activities for the fiscal year ended June 30, 2024. This information is provided to comply with *GASB No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The discussion and analysis included in this document contain information regarding social services provided by South Central Human Resource Agency.

### **Mission Statement**

South Central Human Resource Agency'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 South Central Human Resource Agency ("SCHRA" or the "Agency") was created July 11, 1973, and chartered as a public, non-profit corporation on February 19, 1975. The Agency's goal is to promote the development of human resources in South Central Tennessee through effective and efficient delivery of human services. From the Agency's central office at 1437 Winchester Highway in Fayetteville, Tennessee, it strives to effectively deliver 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 481,777 individuals. Across this region in the fiscal year 2024, SCHRA had in place 13 Neighborhood Service Centers, 13 American Job Centers, 17 Head Start Centers, 7 Early Head Start Centers, and 19 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 2024, SCHRA delivered approximately \$37,494,256 of services and employed approximately 575 people with fulltime, part-time, and participant labor.

### **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 of SCHRA was reorganized in May of 2021 by new legislation. 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, (3) city mayors from established divisions represent all municipalities within the area, and (6) human resource representatives appointed by the Governing Board, and one state senator and one state representative whose districts lie within the Development District.

Additionally, serving on the Governing Board in a nonvoting status, are 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 Governing Board meets six times (bi-monthly) a year. An annual meeting is called once per year with the Governing Board and all City Mayors to discuss program success and goals.



## South Central Human Resource Agency Management's Discussion and Analysis

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, Fayetteville, TN. 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 completed a new \$1.3 million (10,000 sq. ft.) commodities warehouse here at the central office. This addition gives the agency over 50,000 sq. ft and greater operating capacity.

The Agency has worked hard to adapt to meeting 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. The Agency also received from USDA a matching grant for equipment improvements in our nutrition program. The grant will provide much-needed kitchen equipment at both of our kitchens. We are working to secure the matching funds for this grant. This past fiscal year we renovated the Lincoln Early Head Start and moved the Amana Head Start in with this location. This combination created a cost savings and a better transition for our families. The Agency also continues to renovate the new 5,000 square feet Head Start location in Waynesboro, TN. We received additional funds from the Regional Head Start Office in Atlanta to finish the project. This facility should be ready by June 30, 2025. Additionally, we have also made much needed 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.

### **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 2024 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. Dept. 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 90-100%. Ten percent of our enrollment is mandated to serve children with disabilities. Our program ensured that age-appropriate health services were provided to 921

## South Central Human Resource Agency Management's Discussion and Analysis

enrolled and/or terminated children, with 89% receiving age- appropriate preventive dental services and 85 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 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, disabled, and low-income persons with the energy used to heat their homes through financial assistance to offset a portion of the cost. Priority for assistance is given to the lowest of income. Priority points are used to determine the amount of assistance which ranges from \$300 to \$650. Energy and crisis assistance is provided to eligible households through direct payment to a utility or propane company. During fiscal year 2024, a total of 8,653 households received assistance. The total amount funded for FY 2024 was just over \$7,633,272.

### ***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 ensuring 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 2024, a total of 73,922 congregate meals were served, and 54,783 home- delivered meals were served. Additionally, funding through State of Tennessee Home and Community Based Program (Options and Options 2.0), the Family Caregiver Program, and the Statewide Long Term Care Choices Program (Wellpoint, United Health Care, and Blue Care) provides similar meals to the frail and disabled aged 18 years or older. For this period, Options provided 11,097 meals, Options 2.0 provided 35,836 meals, Family Caregiver provided 1,315 meals, Long-Term Care Choices provided 24,906 meals and ARP provided 11,252 home delivered meals. There were 4,404 meals for private pay clients.

### ***Community Representative Payee Program***

The Community Representative Payee Program, funded by client fees, established by the Social Security Administration, offers money management services to assist persons who are incapable of budgeting, paying routine bills, and keeping track of financial matters. Those served must receive Social Security or some type of disability benefit and be certified by a physician or judge to be incapable of money management. During fiscal year 2024, 373 clients were assisted in 36

## South Central Human Resource Agency Management's Discussion and Analysis

Tennessee counties and 8 other states. Benefits overseen on behalf of clients for the year totaled \$4,570,946. The CRPP Program also implemented a new client card system.

### ***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 12 employees, utilizing 6 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 2024, these kitchens supplied 212,901 meals for the Agency's Senior Nutrition Program.

### ***Emergency Food Assistance Program-Commodities***

Provides USDA donated food products to low-income households at local distributions held quarterly in each of our thirteen counties. During fiscal year 2024, 10,015 households received commodities with a total amount of \$935,408 food distributed with 617,179 units of food distributed. 411 volunteers served with a total of 1,223 hours served.

### ***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 2024 for the operation of its CSBG Program from funds passed through to the Agency by the Tennessee Dept. of Human Services ("DHS"). The CSBG Program ensures access to programs and services by elderly, disabled, 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. In addition to financial eligibility, the need of service must be established according to the individual or household circumstances, with priority given to the elderly and disabled. During fiscal year 2024, the CSBG Program served 2,286 unduplicated households with 4,895 individuals. The program also aided in providing 50,752 referrals to other community agencies.

### ***Center for Workforce Inclusion (formerly Senior Community Service Employment Program)***

The Center for Workforce Inclusion ("Title V") Program, funded by Center for Workforce Inclusion powering opportunity for older adults ("CWI"), 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 2024, the Title V Program

## South Central Human Resource Agency Management's Discussion and Analysis

served a 12-county area with an allocated slot level of 253 clients. The Title V Program also served 4 additional counties (Bledsoe, Grundy, Marion, and Sequatchie).

### ***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 2024, a total of 10,074.25 hours of service (40,297 units) 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 (Wellpoint, 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 2024, Options provided 2,234 hrs. (8,936 units), Family Caregiver provided 1,556 hrs. (6,224 units), Options AD Respite Care provided 656.5 hours (2,626 units), State Funded 2.0 provided 2,032.25 hours (8,129 units), Title III provided 1,189.75 hrs. (4,759 units) and Title III ARP provided 214.75 hrs. (859 units). The Choices Program provided 2,191 hrs. (8,764 units) These services were delivered to 89 clients.

### ***Justice Services Program***

The Agency is proud to offer Recovery Court Services for the 22nd and the 17th Judicial District. These courts are specialized to provide intensive case management to clients of the justice involved population. The services include group and individual treatment. The program also has supervision oversight through a best practices team approach. During fiscal year 2024, the Lincoln County-17th Judicial Recovery Court both misdemeanor/felony served 55 clients. The 22nd Judicial District felony court served 43 clients. The program has also included new positions with a grant through Centerstone and a new in house drug testing lab.

### ***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 support 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, daycare 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 2024, services were provided for 302 “at-risk” children by 46 Foster Grandparents. The total service hours volunteered were 44,880.

## South Central Human Resource Agency Management's Discussion and Analysis

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

The SSBG/Protective Service Homemaker Program, funded by the 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 2024, a total of 96 clients were served.

### ***Weatherization Assistance Program***

The Weatherization Assistance Program ("WAP"), funded by the Tennessee Housing Development Agency ("TDHA"), strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by TDHA to qualified housing units. Eligibility guidelines for this funding allow households of up to 200% of the 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 2024, 20 homes were weatherized at a funding level of \$230,061.

### ***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 they 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, job seekers may be able to get some or all of the costs of training covered by funding from the Department of Labor. During fiscal year 2024, 22,754 clients were serviced through the American Job Centers in our 13-county region served. SCHRA also served 843 participants with the Tennessee Youth Employment Program.

### **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 14 and 15 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, deferred outflows of resources, and liabilities and deferred inflows of

## South Central Human Resource Agency Management's Discussion and Analysis

resources 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 16 through 23 provide information about the Agency's funds. Funds are used to maintain control over resources that are to be segregated for specific activities or purpose. Fund accounting ensures and reflects compliance with finance-related legal requirements, such as grantor provisions. 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 24 through 43 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### ***Required Supplementary Information***

The required supplementary information on pages 44 through 45 is provided to supplement the basic financial statements.

### ***Other Supplementary Information***

Other Supplementary information on pages 46 through 49 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 \$25 million during the fiscal year. Accordingly, a Single Audit was required. The Single Audit section of the financial statements on pages 50 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 auditor's reports on internal control and compliance.



## South Central Human Resource Agency 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, 2024 (as presented on page 14) with comparative data from June 30, 2023.

**Table 1**  
*Condensed Statement of Net Position*

<i>June 30,</i>	<b>2024</b>	Restated 2023
Current assets	\$ 8,046,712	\$ 8,552,459
Restricted assets	1,316,082	1,280,638
Net pension asset	2,361,406	2,263,529
Capital assets	10,023,286	8,731,889
<b>Total assets</b>	<b>21,747,486</b>	20,828,515
Deferred outflows of resources	1,324,117	1,439,958
Current liabilities	7,110,903	7,574,634
Note payable	1,143,550	864,525
Lease liabilities	1,095,132	557,044
<b>Total liabilities</b>	<b>9,349,585</b>	8,996,203
Deferred inflows of resources	671,691	661,899
Net position:		
Net investment in capital assets	7,784,604	7,308,705
Restricted for pension benefits	3,013,832	3,041,588
Unrestricted	2,251,891	2,260,078
<b>Total net position</b>	<b>\$ 13,050,327</b>	\$ 12,610,371

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13 million as of June 30, 2024. The Agency's net position increased \$439,956, for the fiscal year.

The Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land) represents 60% of its net position as of June 30, 2024. 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 23% of its net position as of June 30, 2024. The Agency will use this asset to offset future employer contributions to the Public Employee Retirement Plan administered by the Tennessee Consolidate Retirement System.

## South Central Human Resource Agency Management's Discussion and Analysis

### Change in Net Position

Table 2 presents a summary of government-wide activity for the year ended June 30, 2024 (as presented on page 15) with comparative data for the year ended June 30, 2023.

**Table 2**  
*Change in Net Position*

<i>For the year ended June 30,</i>	<b>2024</b>		<b>Restated 2023</b>	
	<b>Amount</b>	<b>Percentage of Funding</b>	<b>Amount</b>	<b>Percentage of Funding</b>
<b>Revenues:</b>				
Operating grants and contributions	\$ 28,657,183	73.32%	\$ 30,068,877	75.48%
Charges for services and other income	10,428,782	26.68%	9,769,172	24.52%
<b>Total revenues</b>	<b>39,085,965</b>	<b>100.00%</b>	<b>39,838,049</b>	<b>100.00%</b>
<b>Expenses:</b>				
Head Start	13,165,780	33.68%	11,619,166	29.17%
Low-Income Home Energy Assistance	7,633,353	19.53%	9,244,472	23.21%
Community Representative Payee	4,999,567	12.79%	4,368,165	10.96%
Workforce Innovation and Opportunity Act	3,244,018	8.30%	2,568,055	6.45%
Nutrition Services for the Elderly	1,788,234	4.58%	1,813,609	4.55%
Food Service	1,262,347	3.23%	1,432,874	3.60%
Community Service Block Grant	813,950	2.08%	1,356,978	3.41%
Senior Community Service Employment	636,700	1.63%	664,360	1.67%
Justice Services	364,834	0.93%	283,787	0.71%
Homemaker Services for the Elderly	261,264	0.67%	210,856	0.53%
Foster Grandparents	323,680	0.83%	312,855	0.79%
Social Services Block Grant	259,873	0.66%	269,605	0.68%
Weatherization Assistance	230,061	0.59%	163,204	0.41%
Emergency Food Assistance	138,354	0.35%	117,835	0.30%
State Appropriations, Agency & Other	3,523,994	9.02%	2,631,887	6.61%
<b>Total expenses</b>	<b>\$ 38,646,009</b>	<b>98.87%</b>	<b>\$ 37,057,708</b>	<b>93.02%</b>
<b>Change in net position</b>	<b>\$ 439,956</b>	<b>1.13%</b>	<b>\$ 2,780,341</b>	<b>6.98%</b>

Net position increased by \$439,956 for the fiscal year compared to an increase in net position of \$2,780,341 for the prior year. Operating grants and contributions provided approximately 73% of the revenues for governmental activities for the current and 75% 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.



## South Central Human Resource Agency 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, 2024, the Agency's governmental funds reported a total fund balance of approximately \$2.25 million, a decrease of \$6,573 over the prior fiscal year. The general fund is the Agency's primary operating fund. Revenues exceeded expenditures in the general fund by \$149,086 for the fiscal year. The unassigned fund balance of the general fund was approximately \$2.3 million as of June 30, 2024.

### **Net Pension Asset**

As of June 30, 2024, the Agency's net pension asset totaled \$2,361,406 compared to \$2,263,529 in the prior fiscal year; a net increase of \$97,877. Additional information on the Agency's pension plan can be found in Note 4 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 20.

### **Capital Assets**

As of June 30, 2024, the Agency's capital assets totaled \$10,023,286 compared to \$8,731,889 in the prior fiscal year; a net increase of \$1,291,397. These assets include buildings and improvements, vehicles, equipment, right-of-use leased assets and land. Additions to capital assets totaled \$1,762,161. The Agency also recognized depreciation and amortization expense of \$709,448. Additional information on the Agency's capital assets can be found in Note 3 of the financial statements.

### **Factors Bearing on SCHRA's Future**

The Agency is dependent on federal and state funding in order to carry out its various programs. Under Section 4-29-236 of the *Tennessee Code Annotated*, the Agency is schedule to terminate on June 30, 2026.

### **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**  
Basic Financial Statements

**South Central Human Resource Agency**  
**Statement of Net Position**

<i>June 30,</i>	<i>2024</i>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,287,248
Receivables	3,510,053
Inventories - kitchen supplies	30,773
Prepaid expenses	218,638
Restricted assets	
Cash and cash equivalents	829,430
Inventories - food commodities	486,652
Net pension asset	2,361,406
Capital assets	
Non-depreciable	1,108,846
Depreciable, net	7,923,330
Right-to-use lease assets, net	991,110
<b>Total assets</b>	<b>21,747,486</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension	1,324,117
<b>Liabilities</b>	
Accounts payable	427,034
Accrued payroll	597,653
Accrued payroll taxes and employee benefits	308,880
Due to CRPP clients	4,255,733
Accrued audit fee	51,000
Unearned income	14,099
Line of credit	800,000
Noncurrent liabilities	
Due within one year	
Lease liability	319,818
Note payable	65,404
Accrued leave	656,504
Due in more than one year	
Lease liability	775,314
Note payable	1,078,146
<b>Total liabilities</b>	<b>9,349,585</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pension	671,691
<b>Net Position</b>	
Net investment in capital assets	7,784,604
Restricted for pension benefits	3,013,832
Unrestricted	2,251,891
<b>Total net position</b>	<b>\$ 13,050,327</b>

*The accompanying notes are an integral part of these financial statements.*

**South Central Human Resource Agency  
Statement of Activities**

*For the year ended June 30, 2024*

Expenses

Functions/Programs	Direct Expenses	Indirect Costs Allocated
<b>Governmental Activities</b>		
<b>Program activities</b>		
Head Start	\$ 12,130,447	\$ 1,035,333
Low-Income Home Energy Assistance	7,346,966	286,387
Community Representative Payee	4,984,901	14,666
Workforce Innovation and Opportunity Act	3,158,014	86,004
Nutrition Services for the Elderly	1,734,973	53,261
Community Service Block Grant	750,988	62,962
Senior Community Service Employment	628,691	8,009
Justice Services	335,989	28,845
Homemaker Services for the Elderly	242,835	18,429
Foster Grandparents	312,818	10,862
Social Services Block Grant	239,321	20,552
Weatherization Assistance	211,872	18,189
Emergency Food Assistance	127,416	10,938
Other	2,887,570	62,143
<b>Support services</b>		
Food service	1,158,955	103,392
State Appropriations, Agency and other	556,898	17,383
<b>Total</b>	<b>\$ 36,808,654</b>	<b>\$ 1,837,355</b>
<b>Net Position - beginning of year (as originally reported)</b>		
Prior period adjustment		
Net position - beginning of year		
Net position - end of year		

*The accompanying notes are an integral part of these financial statements.*

Revenues		Net Revenue (Expense) and Changes in Net Position
Charges for Services and Other Income	Operating Grants and Contributions	
\$ 6,776	\$ 13,634,976	\$ 475,972
487	7,633,272	406
5,006,006	-	6,439
-	3,242,787	(1,231)
1,166,337	573,008	(48,889)
8,467	794,620	(10,863)
-	637,488	788
174,486	179,928	(10,420)
250,174	-	(11,090)
550	322,342	(788)
-	259,382	(491)
-	230,061	-
-	138,120	(234)
2,265,070	766,005	81,362
1,200,830	-	(61,517)
349,599	245,194	20,512
<u>\$ 10,428,782</u>	<u>\$ 28,657,183</u>	<u>439,956</u>
		11,651,954
		958,417
		<u>12,610,371</u>
		<u><u>\$ 13,050,327</u></u>

**South Central Human Resource Agency  
Balance Sheet – Governmental Funds**

<i>June 30, 2024</i>	General Fund	Children's Services Fund	Nutrition Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 2,652,878	\$ 200,604	\$ -
Receivables			
Funding sources and others	7,280	614,859	143,363
Due from other funds	235,501	-	-
Inventories - kitchen supplies	-	-	30,773
Prepaid expenses	146,781	24,476	17,639
Restricted assets			
Cash and cash equivalents	577,158	230,188	-
Inventories - food commodities	-	-	486,652
<b>Total assets</b>	<b>\$ 3,619,598</b>	<b>\$ 1,070,127</b>	<b>\$ 678,427</b>
<b>Liabilities</b>			
Accounts payable	\$ 89,560	\$ 223,764	\$ 63,165
Accrued payroll	67,285	150,786	37,046
Accrued payroll taxes and employee benefits	83,014	135,100	8,024
Due to other funds	-	236,510	661,331
Due to CRPP client	-	-	-
Line of credit	800,000	-	-
Unearned income	-	14,099	-
Accrued leave	121,189	309,868	64,520
Accrued audit fee	51,000	-	-
<b>Total liabilities</b>	<b>1,212,048</b>	<b>1,070,127</b>	<b>834,086</b>
<b>Fund Balances</b>			
Non-spendable	146,781	-	535,064
Unassigned	2,260,769	-	(690,723)
<b>Total fund balances</b>	<b>2,407,550</b>	<b>-</b>	<b>(155,659)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,619,598</b>	<b>\$ 1,070,127</b>	<b>\$ 678,427</b>

*The accompanying notes are an integral part of these financial statements.*

Community Service Fund	Nonmajor Funds	Total Governmental Funds
\$ 1,433,766	\$ -	\$ 4,287,248
2,468,371	276,180	3,510,053
867,514	-	1,103,015
-	-	30,773
7,389	22,353	218,638
-	22,084	829,430
-	-	486,652
<u>\$ 4,777,040</u>	<u>\$ 320,617</u>	<u>\$ 10,465,809</u>
\$ 42,140	\$ 8,405	\$ 427,034
287,987	54,549	597,653
73,641	9,101	308,880
-	205,174	1,103,015
4,255,733	-	4,255,733
-	-	800,000
-	-	14,099
117,539	43,388	656,504
-	-	51,000
<u>4,777,040</u>	<u>320,617</u>	<u>8,213,918</u>
-	-	681,845
-	-	1,570,046
-	-	2,251,891
<u>\$ 4,777,040</u>	<u>\$ 320,617</u>	<u>\$ 10,465,809</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, 2024*

Total fund balance - governmental funds	\$	2,251,891
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost of capital assets and right-of-use lease assets	\$	15,687,038
Accumulated depreciation and amortization	<u>(5,663,752)</u>	10,023,286
Other long-term assets are not available resources and, therefore are not reported in the governmental funds:		
Net pension assets		2,361,406
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		
		1,324,117
Deferred inflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		
		(671,691)
Long-term liabilities, including notes payable, compensated absences payable, and net pension liability (asset), are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		
Note payable	(1,143,550)	
Lease liabilities	(1,095,132)	(2,238,682)
Net position of governmental activities	\$	13,050,327

*The accompanying notes are an integral part of these financial statements.*



**South Central Human Resource Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**

<i>For the year ended June 30, 2024</i>	General Fund	Children's Services Fund	Nutrition Fund
<b>Revenues</b>			
Grantor contributions	\$ 145,890	\$ 13,573,633	\$ 573,008
Performance based income	-	-	1,125,370
Program income	2,408,163	-	1,216,325
State and local contributions	99,304	4,000	-
Other income	111,837	66,279	120,142
<b>Total revenues</b>	<b>2,765,194</b>	<b>13,643,912</b>	<b>3,034,845</b>
<b>Expenditures</b>			
Salaries	1,045,491	6,963,559	670,763
Fringe benefits	346,964	2,265,591	182,508
Participant costs	9,454	7,768	1,671
Food	33,436	468,970	1,768,432
Indirect costs	19,522	1,035,333	156,654
Contract services	36,870	64,403	180
Insurance and bonding	120,671	67,037	7,126
Maintenance and repairs	91,494	230,063	19,307
Office supplies	3,279	1,620	2,697
Other	90,693	141,016	2,346
Postage	4,666	1,569	634
Printing and duplication	2,199	361	35
Professional services	361,040	284,738	20,571
Program supplies	70,354	692,825	51,385
Rent and leases	133,761	322,647	46,518
Telephone	25,095	183,055	5,940
Transportation	25,070	22,258	23,582
Travel - in area	1,801	43,342	40,710
Travel - out of area	70,247	99,649	4,910
Utilities	61,245	181,818	30,381
Vehicles and equipment	873,772	566,290	154,154
<b>Total expenditures</b>	<b>3,427,124</b>	<b>13,643,912</b>	<b>3,190,504</b>
Excess (deficiency) revenue over (under) expenditures	(661,930)	-	(155,659)
<b>Other Financing Sources and (Uses)</b>			
Proceeds from issuance of debt	811,016	-	-
<b>Net change in fund balances</b>	<b>149,086</b>	<b>-</b>	<b>(155,659)</b>
Fund balances - beginning of year	2,258,464	-	-
<b>Fund balances - ending of year</b>	<b>\$ 2,407,550</b>	<b>\$ -</b>	<b>\$ (155,659)</b>

*The accompanying notes are an integral part of these financial statements.*

Community Service Fund	Nonmajor Funds	Total Governmental Funds
\$ 17,677,705	\$ 1,429,380	\$ 33,399,616
437,741	-	1,563,111
-	-	3,624,488
-	89,845	193,149
8,954	5,461	312,673
18,124,400	1,524,686	39,093,037
1,848,154	583,870	11,111,837
657,277	118,132	3,570,472
9,351,365	615,833	9,986,091
888	1,386	2,273,112
562,482	63,364	1,837,355
116,574	434	218,461
7,327	3,013	205,174
22,478	2,363	365,705
8,203	998	16,797
4,855,992	2,042	5,092,089
18,309	1,754	26,932
166	848	3,609
101,740	12,409	780,498
33,862	16,493	864,919
342,820	50,132	895,878
64,757	10,041	288,888
10,160	2,209	83,279
36,820	281	122,954
19,739	28,134	222,679
55,970	3,607	333,021
9,317	7,343	1,610,876
18,124,400	1,524,686	39,910,626
-	-	(817,589)
-	-	811,016
-	-	(6,573)
-	-	2,258,464
\$ -	\$ -	\$ 2,251,891

**South Central Human Resource Agency**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to Statement of Activities**

<i>For the year ended June 30,</i>	2024
Total net change in fund balances - governmental funds	\$ (6,573)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.</p>	1,224,555
<p>In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.</p>	(2,160)
<p>Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.</p>	(1,759,199)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on note payable	531,991
Principal payments on capital lease obligation	410,105
	942,096
<p>Changes to the net pension liability (asset) and related deferred outflows and inflows of resources are reported as an expense in the statement of activities. These changes do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	41,237
Change in net position of governmental activities	\$ 439,956

*The accompanying notes are an integral part of these financial statements.*

**South Central Human Resource Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund**

<i>For the year ended June 30, 2024</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Grantor contributions	\$ 187,564	\$ 187,564	\$ 145,890	\$ (41,674)
Program income	2,302,619	2,302,619	2,408,163	105,544
State and local contributions	99,500	99,500	99,304	(196)
Other income	112,800	112,800	111,837	(963)
<b>Total revenues</b>	<b>2,702,483</b>	<b>2,702,483</b>	<b>2,765,194</b>	<b>62,711</b>
<b>Expenditures</b>				
Salaries	1,016,091	1,016,091	1,045,491	(29,400)
Fringe benefits	342,376	342,376	346,964	(4,588)
Participant costs	7,642	7,642	9,454	(1,812)
Food	32,000	32,000	33,436	(1,436)
Indirect costs	19,249	19,249	19,522	(273)
Contract services	36,750	36,750	36,870	(120)
Insurance and bonding	113,750	113,750	120,671	(6,921)
Maintenance and repairs	42,180	42,180	91,494	(49,314)
Office supplies	2,450	2,450	3,279	(829)
Other	122,628	122,628	90,693	31,935
Postage	4,755	4,755	4,666	89
Printing and duplication	2,240	2,240	2,199	41
Professional services	326,060	326,060	361,040	(34,980)
Program supplies	67,095	67,095	70,354	(3,259)
Rent and leases	110,931	110,931	133,761	(22,830)
Telephone	26,300	26,300	25,095	1,205
Transportation	25,760	25,760	25,070	690
Travel - in area	2,120	2,120	1,801	319
Travel - out of area	64,032	64,032	70,247	(6,215)
Utilities	62,925	62,925	61,245	1,680
Vehicles and equipment	857,622	857,622	873,772	(16,150)
<b>Total expenditures</b>	<b>3,284,956</b>	<b>3,284,956</b>	<b>3,427,124</b>	<b>(142,168)</b>
Net change in fund balance	(582,473)	(582,473)	(661,930)	(79,457)
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	780,327	780,327	811,016	30,689
Net change in fund balance	197,854	197,854	149,086	(48,768)
Fund balances beginning of year	2,258,464	2,258,464	2,258,464	-
<b>Fund balances ending of year</b>	<b>\$ 2,456,318</b>	<b>\$ 2,456,318</b>	<b>\$ 2,407,550</b>	<b>\$ (48,768)</b>

*The accompanying notes are an integral part of these financial statements.*

**South Central Human Resource Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Children’s Services Fund**

<i>For the year ended June 30, 2024</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Grantor contributions	\$ 14,326,950	\$ 14,326,950	\$ 13,573,633	\$ (753,317)
State and local contributions	4,000	4,000	4,000	-
Other income	66,343	66,343	66,279	(64)
<b>Total revenues</b>	<b>14,397,293</b>	<b>14,397,293</b>	<b>13,643,912</b>	<b>(753,381)</b>
<b>Expenditures</b>				
Salaries	7,306,385	7,306,385	6,963,559	342,826
Fringe benefits	2,503,779	2,503,779	2,265,591	238,188
Participant costs	9,013	9,013	7,768	1,245
Food	468,752	468,752	468,970	(218)
Indirect costs	1,061,847	1,061,847	1,035,333	26,514
Contract services	73,886	73,886	64,403	9,483
Insurance and bonding	68,738	68,738	67,037	1,701
Maintenance and repairs	235,383	235,383	230,063	5,320
Office supplies	2,515	2,515	1,620	895
Other	144,311	144,311	141,016	3,295
Postage	4,392	4,392	1,569	2,823
Printing and duplication	800	800	361	439
Professional services	287,929	287,929	284,738	3,191
Program supplies	761,247	761,247	692,825	68,422
Rent and leases	341,480	341,480	322,647	18,833
Telephone	186,747	186,747	183,055	3,692
Transportation	21,581	21,581	22,258	(677)
Travel - in area	55,645	55,645	43,342	12,303
Travel - out of area	99,671	99,671	99,649	22
Utilities	191,389	191,389	181,818	9,571
Vehicles and equipment	572,266	572,266	566,290	5,976
<b>Total expenditures</b>	<b>14,397,756</b>	<b>14,397,756</b>	<b>13,643,912</b>	<b>753,844</b>
Net change in fund balance	(463)	(463)	-	463
Fund balances beginning of year	-	-	-	-
<b>Fund balances ending of year</b>	<b>\$ (463)</b>	<b>\$ (463)</b>	<b>\$ -</b>	<b>\$ 463</b>

*The accompanying notes are an integral part of these financial statements.*

**South Central Human Resource Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Nutrition Fund**

<i>For the year ended June 30, 2024</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Grantor contributions	\$ 573,540	\$ 573,540	\$ 573,008	\$ (532)
Performance based income	1,138,448	1,138,448	1,125,370	(13,078)
Program income	1,225,076	1,225,076	1,216,325	(8,751)
Other income	124,103	124,103	120,142	(3,961)
<b>Total revenues</b>	<b>3,061,167</b>	<b>3,061,167</b>	<b>3,034,845</b>	<b>(26,322)</b>
<b>Expenditures</b>				
Salaries	679,137	679,137	670,763	8,374
Fringe benefits	174,747	174,747	182,508	(7,761)
Participant costs	1,672	1,672	1,671	1
Food	1,811,070	1,811,070	1,768,432	42,638
Indirect costs	160,526	160,526	156,654	3,872
Contract services	250	250	180	70
Insurance and bonding	7,139	7,139	7,126	13
Maintenance and repairs	19,256	19,256	19,307	(51)
Office supplies	3,200	3,200	2,697	503
Other	2,345	2,345	2,346	(1)
Postage	760	760	634	126
Printing and duplication	50	50	35	15
Professional services	18,950	18,950	20,571	(1,621)
Program supplies	14,450	14,450	51,385	(36,935)
Rent and leases	48,120	48,120	46,518	1,602
Telephone	6,500	6,500	5,940	560
Transportation	23,700	23,700	23,582	118
Travel - in area	40,000	40,000	40,710	(710)
Travel - out of area	5,070	5,070	4,910	160
Utilities	30,000	30,000	30,381	(381)
Vehicles and equipment	154,155	154,155	154,154	1
<b>Total expenditures</b>	<b>3,201,097</b>	<b>3,201,097</b>	<b>3,190,504</b>	<b>10,593</b>
<b>Net change in fund balance</b>	<b>(139,930)</b>	<b>(139,930)</b>	<b>(155,659)</b>	<b>(15,729)</b>
<b>Fund balances beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances ending of year</b>	<b>\$ (139,930)</b>	<b>\$ (139,930)</b>	<b>\$ (155,659)</b>	<b>\$ (15,729)</b>

*The accompanying notes are an integral part of these financial statements.*

**South Central Human Resource Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Community Services Fund**

<i>For the year ended June 30, 2024</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Grantor contributions	\$ 17,801,865	\$ 17,801,865	\$ 17,677,705	\$ (124,160)
Performance based income	449,054	449,054	437,741	(11,313)
Other income	3,447	3,447	8,954	5,507
<b>Total revenues</b>	<b>18,254,366</b>	<b>18,254,366</b>	<b>18,124,400</b>	<b>(129,966)</b>
<b>Expenditures</b>				
Salaries	1,937,768	1,937,768	1,848,154	89,614
Fringe benefits	687,518	687,518	657,277	30,241
Participant costs	9,480,939	9,480,939	9,351,365	129,574
Food	406	406	888	(482)
Indirect costs	578,444	578,444	562,482	15,962
Contract services	213,515	213,515	116,574	96,941
Insurance and bonding	9,374	9,374	7,327	2,047
Maintenance and repairs	14,116	14,116	22,478	(8,362)
Nonexpendable supplies	1,000	1,000	-	1,000
Office supplies	10,352	10,352	8,203	2,149
Other	4,841,087	4,841,087	4,855,992	(14,905)
Postage	18,586	18,586	18,309	277
Printing and duplication	190	190	166	24
Professional services	99,866	99,866	101,740	(1,874)
Program supplies	39,195	39,195	33,862	5,333
Rent and leases	344,101	344,101	342,820	1,281
Telephone	68,121	68,121	64,757	3,364
Transportation	7,585	7,585	10,160	(2,575)
Travel - in area	29,321	29,321	36,820	(7,499)
Travel - out of area	21,488	21,488	19,739	1,749
Utilities	57,217	57,217	55,970	1,247
Vehicles and equipment	6,190	6,190	9,317	(3,127)
<b>Total expenditures</b>	<b>18,466,379</b>	<b>18,466,379</b>	<b>18,124,400</b>	<b>341,979</b>
Net change in fund balance	(212,013)	(212,013)	-	212,013
Fund balances beginning of year	-	-	-	-
<b>Fund balances ending of year</b>	<b>\$ (212,013)</b>	<b>\$ (212,013)</b>	<b>\$ -</b>	<b>\$ 212,013</b>

*The accompanying notes are an integral part of these financial statements.*

## 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 27 member Governing Board. The Governing Board consists of the county mayor or county executive of each county, three mayors of municipalities within the district, eleven community representatives, and one state senator and one state representative whose district lies within the area served by the Agency.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar



## South Central Human Resource Agency Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)***

items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Agency.

#### ***Government-Wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### ***Fund Financial Statements***

The fund financial statements provide information about the Agency's funds. Separate statements for each fund category are presented. 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 nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

## South Central Human Resource Agency Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Fund Financial Statements (continued)*

**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.

**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.

Additionally, the Agency reports the following non-major fund type:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted for specified purposes.

During the course of operations, the Agency has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

#### ***Budgetary Information***

##### *Budgetary Basis of Accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Children’s Services Fund, Nutrition Funds, Community Service Funds, Aging Fund and Justice Fund.

The appropriated budget is prepared by fund, function, and department. The Agency’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

## South Central Human Resource Agency Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Budgetary Information (continued)***

##### *Excess of Expenditures over Appropriations*

For the year ended June 30, 2024, expenditures exceeded appropriations in the General Fund by \$142,168, of which \$93,400 was funded by unanticipated revenues.

#### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity***

##### *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 management considers all amounts to be fully collectible.

##### *Inventory and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable kitchen supplies and food commodities. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

##### *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, 2024 consist of cash and cash equivalents which are restricted by the types of expenditures allowed per the grantor and inventory of food commodities.

##### *Capital Assets*

Capital assets, which include building and improvements, vehicles, equipment, right-of-use leased assets 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. Donated capital assets are recorded at acquisition value at the date of donation. 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.

## South Central Human Resource Agency Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)***

##### *Long-Term Obligations*

In the government-wide financial statements, the unmatured principal of long-term debt, 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. 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, 2024.

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, 2024.

##### *Leases*

Lease contracts that provide the Agency with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

##### *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 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.

## South Central Human Resource Agency Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)*

##### *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.

##### *Categories and Classification of Fund Equity*

*Net position flow assumption* – Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions* – Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies* – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Agency itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

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

*Restricted fund balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority. The governing Board is the highest level of decision-making authority for

## South Central Human Resource Agency Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)*

##### *Categories and Classification of Fund Equity (continued)*

the Agency that can, by taking action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation.

*Assigned fund balance* – Amounts in the assigned fund balance classification are intended to be used by the Agency for specific purposes but do not meet the criteria to be classified as committed. The governing Board by formal action may authorize the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* – Unassigned fund balance is the residual classification for the General Fund.

#### ***Revenues and Expenditures/Expenses***

*Program revenues* – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### ***Use of Estimates***

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

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 5, 2024, and determined there were no events that occurred that required disclosure.

#### ***Recently Issued and Implemented Accounting Pronouncements***

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a)



## South Central Human Resource Agency Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recently Issued and Implemented Accounting Pronouncements (continued)*

changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The object of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun the Agency to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement 103, *Financial Reporting Model Improvements*. The object of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement 104, *Disclosure of Certain Capital Assets*. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The Agency is evaluating the requirements of the above statements and the impact on reporting.

## South Central Human Resource Agency Notes to Financial Statements

### **Note 2: CHANGE IN ACCOUNTING PRINCIPLE AND ERROR CORRECTION**

The Agency's beginning net position and beginning construction in progress were restated for errors identified in the capitalization of the expenses related to the Lawrenceburg Head Start Center and the Commodities Warehouse that was completed in the current year. There were amounts in the previous year that were expenses and not moved into the construction in progress that were identified by the Agency's Finance Director in the current year during the close out process. Both beginning construction in progress and net position were increased by \$958,417.

### **Note 3: DETAILED NOTES ON ALL FUNDS**

#### ***Deposits and Investments***

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, 2024, the carrying amount of the Agency's deposits was \$5,116,678, which were fully insured or collateralized.



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

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**Account Receivables**

Receivables from grantor agencies and others included on the accompanying financial statements as of June 30, 2024, are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Nonmajor Funds	Total
Tennessee Housing Development	\$ -	\$ -	\$ -	\$ 1,393,813	\$ -	\$ 1,393,813
Tennessee Dept of Human Svcs	-	-	-	182,401	-	182,401
Senior Service America, Inc.	-	-	-	-	86,564	86,564
St of TN Dept of Agriculture	-	-	-	61,708	-	61,708
U.S. Dept of Health and Human Services	-	614,859	-	-	-	614,859
Other	7,280	-	1,663	-	43,463	52,406
South Central TN Development District	-	-	141,700	830,449	-	972,149
St of TN Dept. of Mental Health & Substance Abuse Services	-	-	-	-	111,844	111,844
Corporation for National and Community Service	-	-	-	-	34,309	34,309
<b>Total receivables</b>	<b>\$ 7,280</b>	<b>\$ 614,859</b>	<b>\$ 143,363</b>	<b>\$ 2,468,371</b>	<b>\$ 276,180</b>	<b>\$ 3,510,053</b>

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

**Interfund Activity**

Due to/from other funds at June 30, 2024 consisted of the following amounts:

Due to	Due from			Total
	Children's Services Fund	Nutrition Fund	Nonmajor Funds	
Community Services	\$ (236,510)	\$ (581,489)	\$ (205,174)	\$ (1,023,173)
General Fund	-	(79,842)	-	(79,842)
	<b>\$ (236,510)</b>	<b>\$ (661,331)</b>	<b>\$ (205,174)</b>	<b>\$ (1,103,015)</b>

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

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets**

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated/amortized:				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Construction in progress	4,076,681	845,027	3,845,162	1,076,546
Total capital assets not being depreciated/amortized	4,108,981	845,027	3,845,162	1,108,846
Capital assets, being depreciated:				
Buildings and improvements	4,892,605	3,845,162	-	8,737,767
Vehicles	1,485,803	172,128	-	1,657,931
Equipment	687,123	163,190	21,500	828,813
Capital assets, being depreciated	7,065,531	4,180,480	21,500	11,224,511
Less accumulated depreciation for				
Buildings and improvements	1,400,112	157,158	-	1,557,270
Vehicles	1,237,759	89,826	-	1,327,585
Equipment	350,031	85,635	19,340	416,326
Total accumulated depreciation/amortization	2,987,902	332,619	19,340	3,301,181
Total capital assets being depreciated, net	4,077,629	3,847,861	2,160	7,923,330
Right-to-use lease assets, being amortized				
Buildings	3,030,320	581,816	258,455	3,353,681
Less accumulated amortization for				
Buildings	2,485,040	376,829	499,298	2,362,571
Right-to-use lease assets being amortized, net	545,280	204,987	(240,843)	991,110
Total governmental activities capital assets, net	\$ 8,731,890	\$ 4,897,875	\$ 3,606,479	\$ 10,023,286

Depreciation expense, which includes amortization of assets under right-of-use (ROU) assets, totaled approximately \$709,448 for the year ended June 30, 2024. There were no significant asset impairments for the year ended June 30, 2024.

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

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

***Capital Assets (continued)***

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

<b>Governmental Activities</b>	
General Fund	\$ 90,678
Children's Services Fund	210,636
Nutrition Fund	14,241
Community Service Fund	17,064
<hr/>	
Total	<u><u>\$ 332,619</u></u>

The following is a summary of the amount of leased assets by major classes of underlying assets for the fiscal year ended June 30, 2024.

Lease building	\$ 3,353,681
Less accumulated amortization	(2,362,571)
<hr/>	
Lease building, net	<u><u>\$ 991,110</u></u>

***Due to CRPP Clients***

Due to CRPP clients total \$4,255,733 for the year ended June 30, 2024 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 June 30, 2024.

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

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes in Long-Term Liabilities***

*Long Term Debt*

During the year ended June 30, 2024, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance July 1, 2023	Proceeds	Retirements	Balance June 30, 2024	Amounts Due Within One Year
<i>Compensated absences</i>					
General Fund	\$ 115,378	\$ 82,517	\$ 76,706	\$ 121,189	\$ 121,189
Children's Services	169,074	510,616	369,822	309,868	309,868
Nutrition	59,704	35,976	31,160	64,520	64,520
Community Services	100,600	104,558	87,619	117,539	117,539
Nonmajor	44,214	32,953	33,779	43,388	43,388
<b>Total</b>	<b>488,970</b>	<b>766,620</b>	<b>599,086</b>	<b>656,504</b>	<b>656,504</b>
<i>Note from direct borrowings</i>					
Lawrence Head Start building	684,358	-	531,991	152,367	44,034
Warehouse construction	180,167	811,016	-	991,183	21,370
<b>Total</b>	<b>864,525</b>	<b>811,016</b>	<b>531,991</b>	<b>1,143,550</b>	<b>65,404</b>
<b>Leases - ROU Assets</b>	<b>557,044</b>	<b>948,183</b>	<b>410,105</b>	<b>1,095,122</b>	<b>319,818</b>
<b>Total long-term liabilities</b>	<b>\$ 1,910,539</b>	<b>\$ 2,525,819</b>	<b>\$ 1,541,182</b>	<b>\$ 2,895,176</b>	<b>\$1,041,726</b>

*Lawrence Head Start building* - In April 2021 the Agency entered into an eighty-four-month agreement with First Farmers Bank for the purchase of a new Head Start building. The note has a stated interest rate of 2.35% and calls for monthly payments of \$3,932. Note payments are made by the Children's Services Fund.

*Warehouse construction* - In April 2023 the Agency entered into a twelve-month agreement with First Bank of Frankewing for the construction of a new warehouse which was extended through June 30, 2024. The note has a stated interest rate of 4.75% and calls for thirteen interest only monthly payments and a balloon payment at the end of the note which was converted to a construction loan in July 2024. Note payments are made with state appropriation dollars.

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

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes in Long-Term Liabilities (continued)***

*Long Term Debt (continued)*

The maturity schedule for notes payable from direct borrowings are as follows:

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2025	\$ 65,404	\$ 50,209
2026	67,502	48,112
2027	69,677	45,937
2028	41,696	54,388
2029	25,833	42,594
2030-2034	149,252	192,884
2035-2039	189,191	152,944
2040-2044	239,819	102,317
2045-2049	295,176	38,141
<b>Total</b>	<b>\$ 1,143,550</b>	<b>\$ 727,526</b>

***Leases***

The Agency accounts for leases in accordance with GASB No. 87, *Leases*. Under this guidance, nearly all contracts allowing for the Agency to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Amortization of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

The ROU assets and related lease liabilities largely involve the following:

- Building leases
  - Childcare facilities in South Central Tennessee.
  - Administrative office suites.
  - Building leases range from 12 to 120 months (for one year renewal periods).

As of June 30, 2024, the value of lease liability was \$1,095,122. The Agency is required to make monthly principal payments totaling \$26,652. The leases have interest rates ranging from 3.25% to 8.25%.

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2025	\$ 319,818	\$ 36,055
2026	202,550	26,145
2027	191,209	18,326
2028	165,887	11,178
2029	106,956	5,498
2030-2034	108,702	2,977
<b>Total</b>	<b>\$ 1,095,122</b>	<b>\$ 100,179</b>

## South Central Human Resource Agency Notes to Financial Statements

### Note 4: 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 only matches employees who opted out of the Tennessee Consolidated Retirement Systems Plan (TCRS) when the Agency joined the plan on July 1, 2017. Employees hired after July 1, 2017 are required to participate in TCRS if eligible and do not receive matching in the 401(k) plan. The Agency matches up to 8% for those who opted out of TCRS. Employee contributions to the 401(k) totaled \$317,249 for the year ended June 30, 2024.

#### ***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 does not match employee contributions.

### Note 5: 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

*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 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

**Note 5: EMPLOYEE RETIREMENT PLAN (Continued)**

***General Information about the Pension Plan (continued)***

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) 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 percent, 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	212
Active employees	223
<b>Total</b>	447

*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 determined by an actuarial valuation. For the year ended June 30, 2024, the employer contributions for the Agency was \$461,087 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, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

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

**Note 5: EMPLOYEE RETIREMENT PLAN (Continued)**

***Net Pension Liability (Asset) (continued)***

*Actuarial Assumptions (continued)*

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. 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, 2020 actuarial experience study. A blend of future capital 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 the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. 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:

	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31.00%
Developed market international equity	5.37%	14.00%
Emerging market international equity	6.09%	4.00%
Private equity and strategic lending	6.57%	20.00%
U.S. fixed income	1.20%	20.00%
Real estate	4.38%	10.00%
Short-term securities	0.00%	1.00%
<b>Total</b>		<b>100.00%</b>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 6.75 percent. 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.



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

**Note 5: EMPLOYEE RETIREMENT PLAN (Continued)**

***Changes in Net Pension Liability (Asset)***

	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
	Liability (a)	Position (b)	Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 4,445,014	\$ 6,708,543	\$ (2,263,529)
Changes for the year:			
Service cost	956,837	-	956,837
Interest	362,347	-	362,347
Differences between expected and actual experience	(127,914)	-	(127,914)
Contributions - employer	-	428,926	(428,926)
Contributions - employee	-	398,993	(398,993)
Net investment income	-	476,000	(476,000)
Benefit payments, including refunds of employee contributions	(67,489)	(67,489)	-
Administrative expense	-	(14,772)	14,772
<b>Net changes</b>	<b>1,123,781</b>	<b>1,221,658</b>	<b>(97,877)</b>
Balances at June 30, 2023	\$ 5,568,795	\$ 7,930,201	\$ (2,361,406)

*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 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Agency's net pension liability (asset)	\$ (1,219,187)	\$ (2,361,406)	\$ (3,257,362)

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

**Note 5: EMPLOYEE RETIREMENT PLAN (Continued)**

***Pension Expense and Deferred Inflows/Outflows of Resources***

*Pension expense.* For the year ended June 30, 2024, the Agency recognized negative pension expense of \$488,843.

*Deferred outflows and deferred inflows or resources.* For the year ended June 30, 2024, 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	\$ 773,699	\$ 486,499
Net difference between projected and actual earnings of pension plan investments	89,331	-
Changes of assumptions	-	185,192
Contributions subsequent to the measurement date	461,087	-
<b>Total</b>	<b>\$ 1,324,117</b>	<b>\$ 671,691</b>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ending June 30,		
2025	\$	33,083
2026		15,294
2027		190,373
2028		50,339
2029		(16,667)
Thereafter		(81,083)
<b>Total</b>	<b>\$</b>	<b>191,339</b>

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

## South Central Human Resource Agency Notes to Financial Statements

### **Note 6: 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 7: 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.

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.

The Agency had two active construction projects as of June 30, 2024 with estimated commitments totaling \$1,867,493. Approximately \$1,076,546 has been expended under these contracts as of June 30, 2024, the remainder of which will be funded with grant funds.

### **Note 8: RELATED PARTIES**

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

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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>										
Service cost	\$ 956,837	\$ 895,373	\$ 731,006	\$ 674,660	\$ 574,403	\$ 68	\$ 414	\$ 1,223	\$ 1,218	\$ 1,234
Interest	362,347	314,557	231,348	167,787	101,858	12,224	11,534	10,910	10,843	10,746
experience	(127,914)	(502,478)	675,595	6,998	162,280	666,067	12,031	5,801	(5,950)	(7,493)
Changes of assumptions	-	-	(296,309)	-	-	-	2,470	-	-	-
Benefit payments, including refunds of employee contributions	(67,489)	(54,333)	(19,495)	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Net change in total pension liability	1,123,781	653,119	1,322,145	810,756	818,364	665,828	16,402	10,373	3,229	1,017
Total pension liability - beginning	4,445,014	3,791,895	2,469,750	1,658,994	840,630	174,802	158,400	148,027	144,798	143,781
Total pension liability - ending (a)	\$ 5,568,795	\$ 4,445,014	\$ 3,791,895	\$ 2,469,750	\$ 1,658,994	\$ 840,630	\$ 174,802	\$ 158,400	\$ 148,027	\$ 144,798
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 428,926	\$ 379,658	\$ 361,850	\$ 328,630	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions - member	398,993	379,658	361,854	328,630	286,310	235,265	-	-	-	-
Net investment income	476,000	(253,280)	1,217,590	192,679	229,809	198,808	221,395	50,710	57,285	264,954
Benefit payments, including refunds of employee contributions	(67,489)	(54,333)	(19,495)	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Administrative expense	(14,772)	(22,591)	(20,362)	(17,075)	(17,176)	(16,470)	-	-	-	(119)
Other	-	-	-	-	-	8,099	-	-	-	-
Net change in plan fiduciary net position	1,221,658	429,112	1,901,437	794,175	765,075	648,437	211,348	43,149	54,403	261,365
Plan net position - beginning	6,708,543	6,279,431	4,377,994	3,583,819	2,818,744	2,170,307	1,958,959	1,915,810	1,861,407	1,600,042
Plan net position - ending (b)	\$ 7,930,201	\$ 6,708,543	\$ 6,279,431	\$ 4,377,994	\$ 3,583,819	\$ 2,818,744	\$ 2,170,307	\$ 1,958,959	\$ 1,915,810	\$ 1,861,407
Net pension liability (asset) - ending (a) - (b)	\$ (2,361,406)	\$ (2,263,529)	\$ (2,487,536)	\$ (1,908,244)	\$ (1,924,825)	\$ (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	142.40%	150.92%	165.60%	177.26%	216.02%	335.31%	1241.58%	1236.72%	1294.23%	1285.52%
Covered payroll**	\$ 7,798,528	\$ 7,593,093	\$ 7,236,904	\$ 6,572,544	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered payroll	-30.28%	-29.81%	-34.37%	-29.03%	-33.61%	-42.04%	N/A	N/A	N/A	N/A

**Notes to Schedule:**

*Changes of assumptions.* In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

<i>June 30,</i>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 335,336	\$ 421,907	\$ 302,967	\$ 288,756	\$ 229,384	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution*	461,087	428,926	379,658	361,850	328,630	286,309	235,266	-	-	-	-
Contribution deficiency (excess)	\$ (125,751)	\$ (7,019)	\$ (76,691)	\$ (73,094)	\$ (99,246)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,383,394	\$ 7,798,528	\$ 7,593,093	\$ 7,236,904	\$ 6,572,544	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	5.50%	5.50%	5.00%	5.00%	5.00%	5.00%	5.00%	N/A	N/A	N/A	N/A

**Notes to Schedule:**

*Valuation date:* Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022 actuarial valuation.

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period (years)	Varies by Year
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
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	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement
Cost of living adjustments	2.125 percent

*Changes of assumptions.* In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality 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 the 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  
Combining Balance Sheet – Nonmajor Funds**

<i>June 30, 2024</i>	Senior Services Fund	Justice Services Fund	Total Nonmajor Funds
<b>Assets</b>			
Receivables			
Funding sources and others	\$ 120,873	\$ 155,307	\$ 276,180
Prepaid expenses	5,651	16,702	22,353
Restricted assets			
Cash and cash equivalents	9	22,075	22,084
<b>Total assets</b>	<b>\$ 126,533</b>	<b>\$ 194,084</b>	<b>\$ 320,617</b>
<b>Liabilities</b>			
Accounts payable	\$ 69	\$ 8,336	\$ 8,405
Accrued payroll	38,410	16,139	54,549
Accrued payroll taxes and employee benefits	2,221	6,880	9,101
Due to other funds	70,629	134,545	205,174
Accrued leave	15,204	28,184	43,388
<b>Total liabilities</b>	<b>126,533</b>	<b>194,084</b>	<b>320,617</b>
<b>Fund Balances</b>			
Non-spendable	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 126,533</b>	<b>\$ 194,084</b>	<b>\$ 320,617</b>

**South Central Human Resource Agency**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances – Nonmajor Funds**

<i>For the year ended June 30, 2024</i>	Senior Services Fund	Justice Services Fund	Total Nonmajor Funds
<b>Revenues</b>			
Grantor contributions	\$ 959,830	\$ 469,550	\$ 1,429,380
State and local contributions	-	89,845	89,845
Other income	550	4,911	5,461
<b>Total revenues</b>	<b>960,380</b>	<b>564,306</b>	<b>1,524,686</b>
<b>Expenditures</b>			
Salaries	322,581	261,289	583,870
Fringe benefits	34,358	83,774	118,132
Participant costs	550,815	65,018	615,833
Food	1,386	-	1,386
Indirect costs	18,871	44,493	63,364
Contract services	-	434	434
Insurance and bonding	882	2,131	3,013
Maintenance and repairs	603	1,760	2,363
Office supplies	241	757	998
Other	(633)	2,675	2,042
Postage	846	908	1,754
Printing and duplication	844	4	848
Professional services	4,859	7,550	12,409
Program supplies	733	15,760	16,493
Rent and leases	17,610	32,522	50,132
Telephone	2,994	7,047	10,041
Transportation	592	1,617	2,209
Travel - in area	-	281	281
Travel - out of area	2,798	25,336	28,134
Utilities	-	3,607	3,607
Vehicles and equipment	-	7,343	7,343
<b>Total expenditures</b>	<b>960,380</b>	<b>564,306</b>	<b>1,524,686</b>
Net change in fund balances	-	-	-
Fund balances beginning of year	-	-	-
<b>Fund balances ending of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**South Central Human Resource Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Senior Services Fund**

<i>For the year ended June 30, 2024</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Grantor contributions	\$ 959,839	\$ 959,839	\$ 959,830	\$ (9)
Other income	4,000	4,000	550	(3,450)
<b>Total revenues</b>	<b>963,839</b>	<b>963,839</b>	<b>960,380</b>	<b>(3,459)</b>
<b>Expenditures</b>				
Salaries	322,544	322,544	322,581	(37)
Fringe benefits	34,910	34,910	34,358	552
Participant costs	551,569	551,569	550,815	754
Food	1,200	1,200	1,386	(186)
Indirect costs	17,560	17,560	18,871	(1,311)
Insurance and bonding	890	890	882	8
Maintenance and repairs	45	45	603	(558)
Office supplies	785	785	241	544
Other	325	325	(633)	958
Postage	940	940	846	94
Printing and duplication	1,062	1,062	844	218
Professional services	4,420	4,420	4,859	(439)
Program supplies	565	565	733	(168)
Rent and leases	16,310	16,310	17,610	(1,300)
Telephone	2,735	2,735	2,994	(259)
Transportation	775	775	592	183
Travel - in area	550	550	-	550
Travel - out of area	3,420	3,420	2,798	622
Utilities	50	50	-	50
Vehicles and equipment	10	10	-	10
<b>Total expenditures</b>	<b>960,665</b>	<b>960,665</b>	<b>960,380</b>	<b>285</b>
<b>Net change in fund balance</b>	<b>3,174</b>	<b>3,174</b>	<b>-</b>	<b>(3,174)</b>
<b>Fund balance beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance ending of year</b>	<b>\$ 3,174</b>	<b>\$ 3,174</b>	<b>\$ -</b>	<b>\$ (3,174)</b>



**South Central Human Resource Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Justice Services Fund**

<i>For the year ended June 30, 2024</i>	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Grantor contributions	\$ 476,675	\$ 476,675	\$ 469,550	\$ (7,125)
State and local contributions	123,281	123,281	89,845	(33,436)
Other income	-	-	4,911	4,911
<b>Total revenues</b>	<b>599,956</b>	<b>599,956</b>	<b>564,306</b>	<b>(35,650)</b>
<b>Expenditures</b>				
Salaries	250,798	250,798	261,289	(10,491)
Fringe benefits	89,185	89,185	83,774	5,411
Participant costs	82,740	82,740	65,018	17,722
Indirect costs	47,779	47,779	44,493	3,286
Contract services	-	-	434	(434)
Insurance and bonding	2,232	2,232	2,131	101
Maintenance and repairs	1,753	1,753	1,760	(7)
Office supplies	2,775	2,775	757	2,018
Other	1,484	1,484	2,675	(1,191)
Postage	981	981	908	73
Printing and duplication	10	10	4	6
Professional services	7,140	7,140	7,550	(410)
Program supplies	18,394	18,394	15,760	2,634
Rent and leases	35,457	35,457	32,522	2,935
Telephone	10,607	10,607	7,047	3,560
Transportation	3,000	3,000	1,617	1,383
Travel - in area	1,982	1,982	281	1,701
Travel - out of area	29,655	29,655	25,336	4,319
Utilities	2,300	2,300	3,607	(1,307)
Vehicles and equipment	5,380	5,380	7,343	(1,963)
<b>Total expenditures</b>	<b>593,652</b>	<b>593,652</b>	<b>564,306</b>	<b>29,346</b>
Net change in fund balance	6,304	6,304	-	(6,304)
Fund balance beginning of year	-	-	-	-
<b>Fund balance ending of year</b>	<b>\$ 6,304</b>	<b>\$ 6,304</b>	<b>\$ -</b>	<b>\$ (6,304)</b>



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**INDEPENDENT AUDITOR’S 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 South Central Human Resource Agency (the “Agency”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements, and have issued our report thereon dated December 5, 2024.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

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

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

Enterprise, Alabama  
December 5, 2024



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

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## **INDEPENDENT AUDITOR’S 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**

#### ***Opinion on Each Major Federal Program***

We have audited South Central Human Resource Agency's (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2024. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to

identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

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

Enterprise, Alabama

December 5, 2024

**South Central Human Resource Agency**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Health and Human Services</b>				
Direct programs:				
Head Start*	93.600	04CH010668-06	\$ - \$	13,004,968
Passed through Tennessee Housing Development Agency				
Low-Income Home Energy Assistance	93.568	LIHEAP 22-15	-	119,266
Low-Income Home Energy Assistance	93.568	LIHEAP-23-15	-	4,448,735
Low-Income Home Energy Assistance	93.568	LIHEAP-24-15	-	2,888,287
Low-Income Home Energy Assistance	93.568	LWx-22-08	-	143,718
Low-Income Home Energy Assistance	93.568	LWx-20B	-	33,266
Subtotal for 93.568			-	7,633,272
Passed through the State of Tennessee Department of Human Services				
Community Services Block Grant	93.569	Z-23-49116	-	154,144
Community Services Block Grant	93.569	Z-24-49116	-	640,708
Subtotal for 93.569			-	794,852
Social Services Block Grant	93.667	Z-22-49316	-	5,301
Social Services Block Grant	93.667	Z-23-49316	-	60,680
Social Services Block Grant	93.667	Z-24-49316	-	193,401
Subtotal for 93.667			-	259,382
Total pass-through			-	8,687,506
Total U.S. Department of Health and Human Services			-	21,692,474
<b>U.S. Department of Agriculture</b>				
Passed through State of Tennessee Department of Agriculture				
Child and Adult Care Food Program	10.558	03-47-56026-00-1	-	568,665
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-04824	-	101,702
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-04423	-	36,418
Subtotal for 10.568			-	138,120

(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, 2024**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
Emergency Food Assistance Program (n) (Food Commodities)***(n)	10.569	N/A	-	935,408
Total Food Distribution Cluster			-	1,073,528
Community Facilities Grant	10.766	CLSS00000075567	-	94,670
Total U.S. Department of Agriculture			-	1,736,863
<b>Corporation for National and Community Service</b>				
Direct Program				
Foster Grandparent Program**	94.011	23SFHTN004	-	322,342
<b>U.S. Department of Labor</b>				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	TN2999	-	637,488
<b>U.S. Department of Energy</b>				
Passed through Tennessee Housing Development Agency				
Weatherization Assistance for Low-Income Persons	81.042	WAP-22-09	-	230,061
<b>U.S. Department of Treasury</b>				
Passed through State of Tennessee Housing Development Agency				
COVID-19 Emergency Rental Assistance	21.023	COVID-19 ERA-EPP-2023-23	-	561,024
Total expenditures of federal awards			\$ -	\$ 25,180,252

State Grantor/Program Title	Assistance Listing No.	Contract Number	Passed Through to Subrecipients	Expenditures
State of Tennessee Department of Human Services Services	N/A	Direct Appropriation	\$ -	\$ 98,780
State of TN Dept. of Mental Health and Substance Abuse Services (Felony Recovery Court - Lincoln)	N/A	74980	-	107,401
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lincoln)	N/A	74980	-	108,042
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lawrence)	N/A	74980	-	166,800
Total expenditures of state financial assistance			\$ -	\$ 481,023

\*Head Start Cluster

\*\*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 Schedule) summarizes the federal expenditures and state financial assistance of South Central Human Resource Agency (the "Agency") under programs of the federal government and State of Tennessee for the year ended June 30, 2024. The amounts reported as federal expenditures and state financial assistance were obtained from the Agency's general ledger. Because the Schedule 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 and fund balance of the Agency.

For purposes of the Schedule, 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 Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. AL numbers have been appropriately listed by applicable programs. Federal programs with different AL numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Three clusters are separately identified in the Schedule and are the following:

#### **Clusters**

Head Start/Early Head Start (ALN 93.600) is reported as the Head Start Cluster, the Foster Grandparent Program (ALN 94.011) is reported as the Foster Grandparent/Senior Companion Cluster and the Emergency Food Assistance Program (ALN 10.568 and 10.569) is reported as the Food Distribution Cluster in the Schedule.

### **Note 2: INDIRECT COST**

The Agency has not elected to use the 10% de Minimis cost rate for the year ended June 30, 2024.

### **Note 3: 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 Schedule 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 Schedule, 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.

### **Note 4: 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.

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

**Note 5: BASIS OF ACCOUNTING**

This Schedule 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 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, management does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of June 30, 2024, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**Note 7: NONCASH ASSISTANCE AND OTHER**

Food commodities are expensed when the food is distributed. The amount expensed is based on food commodity values provided by the State of Tennessee, Department of Agriculture. At June 30, 2024, the Agency had food commodities totaling \$935,408.

**Note 8: SUBRECIPIENTS**

The Agency did not provide federal funds to subrecipients for the fiscal year ending June 30, 2024.

**Note 9: LOANS AND LOAN GUARANTEES DISTRIBUTED TO OTHERS**

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, 2024.

**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, 2024.

**South Central Human Resource Agency  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Section I – Summary of Auditor’s Results**

***Financial Statements***

- |  |            |
|--|------------|
| 1. Type of auditor’s 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 auditor’s 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  |            |

AL Number	Federal Program
93.600	Head Start Cluster
93.569	Community Services Block Grant

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$755,408 |
| 6. Auditee qualified as low-risk under 2CFR 200.520                        | No        |

**Section II – Financial Statements Findings**

No such findings noted.

**Section III – Federal Award Findings and Questioned Costs**

No such findings noted.

## South Central Human Resource Agency Summary Schedule of Prior Audit Findings

### **Financial Statement Findings**

No such findings noted.

### **Federal Award Findings and Questioned Costs**

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