



South Central Human Resource Agency

FINANCIAL STATEMENTS

June 30, 2025



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South Central Human Resource Agency
Public Officials
As of June 30, 2025

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 Sloan 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	Zach Jones
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, 2025, 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, 2025, 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 15, and pension related information be presented to supplement the basic financial statements on pages 46 through 47. 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.

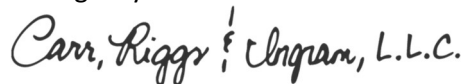
Other Information

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 18, 2025 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 18, 2025

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 ("SCHRA" or the "Agency") financial position and activities for the fiscal year ended June 30, 2025. 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 SCHRA.

Mission Statement

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

Agency Overview

The Agency was created July 11, 1973, and chartered as a public, non-profit corporation on February 19, 1975. 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 support a population of approximately 464,582 individuals.

Across this region in fiscal year 2025, 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 2025, SCHRA delivered approximately \$30,583,043 of services and employed approximately 1,126 people with full-time, 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 HRA.

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.

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.

South Central Human Resource Agency Management's Discussion and Analysis

Agency Facility Accomplishments

In fiscal year 2025, SCHRA continued its commitment to ensuring that facilities across the region remain safe, modern, and responsive to the needs of the communities we serve. The Agency successfully completed construction and preparation of the new Wayne County Head Start facility, providing children and families with an improved, state-licensed environment designed to support high-quality early childhood services. SCHRA also entered into a sales agreement for a new Head Start facility in Perry County, pending Office of Head Start (OHS) approval of the submitted 1303 application for acquisition funding. This new facility will not only consolidate operations under one roof but will also include space for a future Early Head Start classroom, addressing a well-documented community need. The current Perry County location operates out of three separate buildings, presenting significant health and safety concerns; the planned relocation will directly resolve these issues while expanding long-term service capacity. These efforts reflect SCHRA's continued focus on improving its physical infrastructure and enhancing the quality, safety, and accessibility of program sites throughout the service region.

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 2025 follow.

Head Start and Early Head Start Programs

The objective of the Head Start and Early Head Start (collectively referred to as "Head Start") programs, funded by the U.S. Department of Health and Human Services – Administration for Children and Families, is to promote school readiness of low-income children by enhancing children's cognitive, social, and emotional development. Head Start and Early Head Start together serve pregnant women and children (birth to age 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, 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.

Our Head Start/Early Head Start program is proud to be a part of Tennessee's Quality Rating and Improvement System (QRIS), which helps families make informed choices about child care. Each year, our program is visited quarterly by the Tennessee Department of Human Services to review important areas like health and safety and teacher-child interactions. At the end of the year, we receive a "Report Card" showing our results, which we display with our license for all families to see. This process helps us celebrate our strengths, identify areas for growth, and ensure we are always providing the highest quality care for children.

For Program Year ("PY") 2024–2025, there were 707 funded slots (539 Head Start, 168 Early Head Start), which served a total of 865 children and pregnant mothers. The difference between funded enrollment and the total served reflects normal program movement, such as families moving out of the area or withdrawing from services during the year. As of May 2025, our waiting lists reflected the urgent need for services, with 292 children and pregnant women seeking support. This statistic is not just a number; it represents families yearning for opportunities, guidance, and care.

South Central Human Resource Agency Management's Discussion and Analysis

A new program design, beginning July 2025, will help meet this need by adding four new Early Head Start classrooms. During the Designated Renewal System process to re-compete for our five-year grant, staff worked diligently to reassess the program to meet community need. As a result, the program decreased the number of Head Start slots and increased Early Head Start slots—an area consistently identified as a community need. With this restructuring, SCHRA was able to increase pay for staff while continuing to meet community need.

Health, Nutrition, and Disability Outcomes for FY 2024–2025 include:

- 99% of enrolled children and pregnant women have health insurance;
- 99.7% have an ongoing source of accessible health care (medical home);
- 86% of children are up to date with immunizations;
- 100% of pregnant mothers received prenatal care;
- 98% of pregnant mothers received breastfeeding education;
- 98% of children had accessible oral health care; and
- 12% of participants had disability services and an IFSP/IEP, meeting and exceeding the Office of Head Start requirement that at least 10% of those served are children with disabilities.

By spring 2025, children in Head Start and Early Head Start were meeting widely held expectations for their age group:

- 85% had learned to establish and sustain positive relationships;
- 95% demonstrated fine-motor strength and coordination;
- 94% demonstrated age-appropriate travel skills;
- 88% listened to and understood increasingly complex language;
- 83% used language to express thoughts and needs;
- 95% demonstrated positive approaches to learning;
- 81% demonstrated age-appropriate writing skills; and
- 83% demonstrated age-appropriate use of number concepts and operations.

In the areas of school readiness, all Head Start and Early Head Start participants advanced in the areas of mathematics, language, cognitive development, literacy, social-emotional development, and physical development. We continue to acknowledge that parents are their child's first and most important educators and will continue to be throughout their child's educational career. Parents and community volunteers continue to provide invaluable services to our program throughout all 13 of our counties. Head Start facility improvements continue to be a major focus of SCHRA.

Low-Income Home Energy Assistance Program

The Low-Income Home Energy Assistance Program ("LIHEAP"), funded by the Tennessee Housing Development Agency ("THDA"), provides assistance to elderly, disabled, and low-income persons with the energy used to heat their homes and meet immediate household energy needs through financial assistance to offset a portion of the cost. Priority for assistance is given to those with the lowest incomes and highest energy burden. Priority points are used to determine the amount of assistance.

During fiscal year 2025, LIHEAP served 6,247 households for a total of \$4,623,384 in assistance. Assistance amounts ranged from \$600 to \$1,000 depending on household need and vulnerability. Energy and crisis assistance was provided to eligible households through direct payment to a utility or propane company.

South Central Human Resource Agency Management's Discussion and Analysis

Nutrition Services for the Elderly Program

The Nutrition Services for the Elderly ("Nutrition") Program is funded by the South Central Tennessee Development District and the Tennessee Department of Disability and Aging (formerly the Tennessee Commission on Aging and Disabilities) through the Older Americans Act and state funding. The program strives to help 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 skills 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 institutionalization in nursing homes or comparable facilities.

During fiscal year 2025, a total of 73,071 congregate meals were served, and 65,636 home-delivered meals were served under Title IIIC-2 and related Older Americans Act programming. Additionally, funding through the State of Tennessee Home and Community Based Program (Options 1.0 – state-funded) provided 11,373 home-delivered meals; the National Family Caregiver Support Program provided 976 home-delivered meals; Options 2.0 (state-funded) provided 36,778 meals; and the Statewide Long Term Care Choices Program (Wellpoint, United Health Care, and BlueCare) provided 26,186 home-delivered meals. American Rescue Plan (ARP) funding allowed SCHRA to deliver an additional 5,175 meals to homebound clients. A highlight of the program was ARP funding through the Area Agency on Aging and Disability (AAAD), which allowed SCHRA Nutrition to deliver 1,000 food boxes to program participants during the Christmas season.

With the implementation of the new accounting software, finance staff re-evaluated the previous process of separating the Food Service and Nutrition budgets. As a result, these functions were combined into a single program. Food Service is no longer reported as a separate program line item, but is included in the overall Nutrition budget. Through a USDA grant, the program was able to upgrade aging equipment at both the Hohenwald and central office kitchens.

Community Representative Payee Program

The Community Representative Payee Program ("CRPP"), funded by client fees established by the Social Security Administration ("SSA"), 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 2025, 368 clients were assisted in 36 Tennessee counties and 9 other states. Benefits overseen on behalf of clients for the year totaled \$4,853,704.

Special Accomplishments for CRPP: We are continually working to identify and develop new ways to support our clients and meet the growing needs of the community. During fiscal year 2025, the updated CRPP Policy Manual was officially approved. SCHRA successfully completed an on-site review by SSA. The only action item identified was the need to increase our blanket bond coverage. Due to the significant amount required, we transitioned this coverage into an insurance policy to ensure full compliance. We also underwent a VA on-site review, which was completed with no discrepancies or issues noted—demonstrating our continued commitment to high standards and program integrity.

South Central Human Resource Agency Management's Discussion and Analysis

Emergency Food Assistance Program – Commodities (TEFAP)

The Emergency Food Assistance Program ("TEFAP") provides USDA-donated food products to low-income households at local distributions held quarterly in each of our thirteen counties. Eligible households receive a variety of shelf-stable and frozen items intended to supplement their overall food supply.

During fiscal year 2025, 9,399 households received commodities with a total value of \$672,964 and 571,596 units of food distributed. These distributions were supported by 398 volunteers who contributed 1,203 volunteer hours.

Community Services Block Grant Program

The Community Services Block Grant ("CSBG") Program provides a wide range of services and activities which have a measurable and potentially major impact on poverty in the community. The Agency receives funding for the operation of its CSBG Program from funds passed through to the Agency by the Tennessee Department 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 for service must be established according to the individual or household circumstances, with priority given to the elderly and disabled.

During fiscal year 2025, the CSBG Program served 2,316 unduplicated households with 4,381 individuals. The program also provided 75,854 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 the 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 intermediate 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, 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 in 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 2025, the Title V Program served a 12-county area within SCHRA's service region with an allocated slot level of 270 clients. The Title V Program also served four additional counties (Bledsoe, Grundy, Marion, and Sequatchie).

South Central Human Resource Agency Management's Discussion and Analysis

Homemaker Services for the Elderly Program

The Homemaker Services for the Elderly ("Homemaker") Program, funded by the South Central Tennessee Development District (SCTDD)/Area Agency on Aging and Disability (AAAD) and the Tennessee Department of Disability and Aging through the Older Americans Act, 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 and 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. 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/United Health Care, and BlueCare) provides for homemaker and personal care assistance and respite sitter service to the frail elderly and adults with disabilities.

During fiscal year 2025, a total of 8,036 hours of service were provided by the Homemaker Program to 79 clients through SCTDD/AAAD and the Tennessee Department of Disability and Aging, TennCare Choices (BlueCare, Wellpoint, and United Health Care), and related funding sources.

Justice Services Program

The Agency is proud to offer Recovery Court Services for the 22nd and 17th Judicial Districts. These courts are specialized to provide intensive case management to clients within the justice-involved population. Services include group and individual treatment, case management, and supervision oversight through a best-practices team approach.

During fiscal year 2025, SCHRA's Recovery Courts served 100 clients between the two judicial districts. Opioid settlement and related funds allowed the program to expand drug testing capabilities and increase staffing levels to meet participant needs and court expectations.

Foster Grandparent Program

The Foster Grandparent Program, funded by AmeriCorps (formerly the Corporation for National and Community 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-exposed or medically fragile infants. 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 2025, services were provided for 268 "at-risk" children by 38 Foster Grandparents. The total service hours volunteered were 39,117.77.

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 Department 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 2025, a total of 100 clients were served with 6,132.50 hours of service provided.

Weatherization Assistance Program

The Weatherization Assistance Program ("WAP"), funded by the Tennessee Housing Development Agency ("THDA"), strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by THDA to qualified housing units. Eligibility guidelines for this funding allow households of up to 200% of the federal poverty level to benefit.

During fiscal year 2025, 22 homes were weatherized at a funding level of \$189,204.

Workforce Innovative and Opportunity Act

The Workforce Innovation and Opportunity Act ("WIOA") Program, 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 U.S. Department of Labor and related state grants.

During fiscal year 2025, 19,683 clients were served through the American Job Centers in our 13-county region. SCHRA also had 1,162 new enrollments across its WIOA-related programs, including Adult/Dislocated Worker, National Dislocated Worker, Youth, the Tennessee Youth Employment Program (TYEP), and the Rural Healthcare Initiatives Grant.

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.

South Central Human Resource Agency Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements on pages 16 and 17 provide a broad overview of the Agency's financial position and operations in a manner similar to a private-sector business. The statement of net position presents the Agency's assets and deferred outflows of resources and liabilities and deferred inflows of resources on a full accrual, economic resource basis. The difference between assets, deferred outflows of resources, and liabilities and deferred inflows of 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 25 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 26 through 45 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 46 through 47 is provided to supplement the basic financial statements.

Other Supplementary Information

Other Supplementary information on pages 48 through 51 is provided for purposes of additional analysis and is not a required part of the basic financial statements.

South Central Human Resource Agency Management's Discussion and Analysis

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 54 through 63 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.

Government-Wide Financial Analysis

Net Position

Table 1 presents a summary of the Agency's net position at June 30, 2025 (as presented on page 16) with comparative data from June 30, 2024.

Table 1

Condensed Statement of Net Position

<i>June 30,</i>	2025	2024
Current assets	\$ 8,034,805	\$ 8,046,712
Restricted assets	693,762	1,316,082
Net pension asset	2,608,022	2,361,406
Capital assets	10,914,022	10,023,286
Total assets	22,250,611	21,747,486
Deferred outflows of resources	1,169,181	1,324,117
Current liabilities	6,517,040	7,110,903
Note payable	1,053,018	1,143,550
Lease liabilities	1,452,663	1,095,132
Total liabilities	9,022,721	9,349,585
Deferred inflows of resources	647,847	671,691
Net position:		
Net investment in capital assets	8,408,341	7,784,604
Restricted for pension benefits	3,129,356	3,013,832
Unrestricted	2,211,527	2,251,891
Total net position	\$ 13,749,224	\$ 13,050,327

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13.7 million as of June 30, 2025. The Agency's net position increased \$698,897, for the fiscal year.

The Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land) represents 61% of its net position as of June 30, 2025. The Agency uses these capital

South Central Human Resource Agency Management's Discussion and Analysis

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, 2025. The Agency will use this asset to offset future employer contributions to the Public Employee Retirement Plan administered by the Tennessee Consolidate Retirement System.

Change in Net Position

Table 2 presents a summary of government-wide activity for the year ended June 30, 2025 (as presented on page 17) with comparative data for the year ended June 30, 2024.

Table 2
Change in Net Position

<i>For the year ended June 30,</i>		2025		2024	
	Amount	Percentage of Funding	Amount	Percentage of Funding	
Revenues:					
Operating grants and contributions	\$ 29,396,836	81.62%	\$ 28,657,183	73.32%	
Charges for services and other income	6,621,861	18.38%	10,428,782	26.68%	
Total revenues	36,018,697	100.00%	39,085,965	100.00%	
Expenses:					
Head Start	14,092,645	39.13%	13,165,780	33.68%	
Low-Income Home Energy Assistance	5,617,513	15.60%	7,633,353	19.53%	
Community Representative Payee	5,047,566	14.01%	4,999,567	12.79%	
Workforce Innovation and Opportunity Act	3,418,862	9.49%	3,244,018	8.30%	
Nutrition Services for the Elderly	2,037,154	5.66%	1,788,234	4.58%	
Food Service	-	0.00%	1,262,347	3.23%	
Community Service Block Grant	806,578	2.24%	813,950	2.08%	
Senior Community Service Employment	533,559	1.48%	636,700	1.63%	
Justice Services	-	0.00%	364,834	0.93%	
Homemaker Services for the Elderly	255,484	0.71%	261,264	0.67%	
Foster Grandparents	294,303	0.82%	323,680	0.83%	
Social Services Block Grant	267,981	0.74%	259,873	0.66%	
Weatherization Assistance	296,939	0.82%	230,061	0.59%	
Emergency Food Assistance	115,848	0.32%	138,354	0.35%	
State Appropriations, Agency & Other	2,535,368	7.04%	3,523,994	9.02%	
Total expenses	\$ 35,319,800	98.06%	\$ 38,646,009	98.87%	
Change in net position	\$ 698,897	1.94%	\$ 439,956	1.13%	

Net position increased by \$698,897 for the fiscal year compared to an increase in net position of \$439,956 for the prior year. Operating grants and contributions provided approximately 82% of the revenues for governmental activities for the current and 73% of the revenues for the prior fiscal year. These funds were expended in both years primarily for child education, energy assistance, and nutrition and other services for the elderly.

South Central Human Resource Agency Management's Discussion and Analysis

Financial Analysis of the Agency's Funds

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

Governmental Funds

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

As of June 30, 2025, the Agency's governmental funds reported a total fund balance of approximately \$2.21 million, a decrease of \$40,364 over the prior fiscal year. The general fund is the Agency's primary operating fund. Revenues exceeded expenditures in the general fund by \$15,981 for the fiscal year. The unassigned fund balance of the general fund was approximately \$2.25 million as of June 30, 2025.

Net Pension Asset

As of June 30, 2025, the Agency's net pension asset totaled \$2,608,022 compared to \$2,361,406 in the prior fiscal year; a net increase of \$246,616. Additional information on the Agency's pension plan can be found in Note 5 of the financial statements.

General Fund Budgetary Highlights

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

Capital Assets

As of June 30, 2025, the Agency's capital assets totaled \$10,914,022 compared to \$10,023,286 in the prior fiscal year; a net increase of \$890,736. These assets include buildings and improvements, vehicles, equipment, right-of-use leased assets and land. Additions to capital assets totaled \$1,673,271. The Agency also recognized depreciation and amortization expense of \$779,110. Additional information on the Agency's capital assets can be found in Note 2 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. Funding levels for many of these programs are subject to annual appropriations and broader economic conditions. SCHRA continues to monitor federal and state budget developments, as well as regulatory changes, that may impact its programs and operations. The Agency's strategic plan and ongoing risk assessment processes are used to guide resource allocation, ensure program sustainability, and respond to emerging community needs.

Under Section 4-29-236 of the Tennessee Code Annotated, the Agency is scheduled for periodic review and sunset in the spring of 2026.

South Central Human Resource Agency Management's Discussion and Analysis

Requests for Information

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

South Central Human Resource Agency
Basic Financial Statements

South Central Human Resource Agency Statement of Net Position

<i>June 30,</i>	<i>2025</i>
Assets	
Cash and cash equivalents	\$ 4,845,110
Receivables	2,960,456
Inventories - kitchen supplies	31,202
Prepaid expenses	198,037
Restricted assets	
Cash and cash equivalents	328,860
Inventories - food commodities	364,902
Net pension asset	2,608,022
Capital assets	
Non-depreciable	2,019,568
Depreciable, net	7,530,566
Right-to-use lease assets, net	1,363,888
Total assets	22,250,611
Deferred Outflows of Resources	
Deferred outflows related to pension	1,169,181
Liabilities	
Accounts payable	594,953
Accrued payroll	598,904
Accrued payroll taxes and employee benefits	150,281
Due to CRPP clients	4,409,536
Accrued audit fee	52,264
Noncurrent liabilities	
Due within one year	
Lease liability	328,796
Note payable	67,505
Accrued leave	711,102
Due in more than one year	
Lease liability	1,123,867
Note payable	985,513
Total liabilities	9,022,721
Deferred Inflows of Resources	
Deferred inflows related to pension	647,847
Net Position	
Net investment in capital assets	8,408,341
Restricted for pension benefits	3,129,356
Unrestricted	2,211,527
Total net position	\$ 13,749,224

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, 2025

Expenses

Functions/Programs	Direct Expenses	Indirect Costs Allocated
Governmental Activities		
Program activities		
Head Start	\$ 12,975,082	\$ 1,117,563
Low-Income Home Energy Assistance	5,517,561	99,952
Community Representative Payee	5,031,348	16,218
Workforce Innovation and Opportunity Act	3,314,825	104,037
Nutrition Services for the Elderly	1,868,611	168,543
Community Service Block Grant	740,586	65,992
Senior Community Service Employment	524,916	8,643
Homemaker Services for the Elderly	234,111	21,373
Foster Grandparents	284,610	9,693
Social Services Block Grant	245,563	22,418
Weatherization Assistance	272,098	24,841
Emergency Food Assistance	106,157	9,691
Other	1,687,683	147,194
Support services		
State Appropriations, Agency and other	685,775	14,716
Total	\$ 33,488,926	\$ 1,830,874
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	
\$ 7,958	\$ 14,798,351	\$ 713,664
-	5,617,521	8
5,066,125	-	18,559
-	3,398,665	(20,197)
501,605	1,489,715	(45,834)
969	783,690	(21,919)
-	533,054	(505)
274,963	-	19,479
500	294,304	501
-	267,283	(698)
-	296,939	-
-	103,552	(12,296)
433,327	1,551,806	150,256
336,414	261,956	(102,121)
\$ 6,621,861	\$ 29,396,836	698,897
		13,050,327
		\$ 13,749,224

South Central Human Resource Agency Balance Sheet – Governmental Funds

<i>June 30, 2025</i>	General Fund	Children's Services Fund	Nutrition Fund
Assets			
Cash and cash equivalents	\$ 3,446,442	\$ 1,216,361	\$ 101,405
Receivables			
Funding sources and others	87	822,604	137,998
Due from other funds	-	-	-
Inventories - kitchen supplies	-	-	31,202
Prepaid expenses	172,090	19,424	656
Restricted assets			
Cash and cash equivalents	328,859	-	-
Inventories - food commodities	-	-	364,902
Total assets	\$ 3,947,478	\$ 2,058,389	\$ 636,163
Liabilities			
Accounts payable	\$ 196,007	\$ 282,298	\$ 36,067
Accrued payroll	7,888	250,203	60,700
Accrued payroll taxes and employee benefits	19,402	52,174	12,118
Due to other funds	1,122,536	1,112,134	671,347
Due to CRPP client	-	-	-
Accrued leave	125,850	361,580	67,935
Accrued audit fee	52,264	-	-
Total liabilities	1,523,947	2,058,389	848,167
Fund Balances			
Non-spendable	172,090	-	396,760
Unassigned	2,251,441	-	(608,764)
Total fund balances (deficit)	2,423,531	-	(212,004)
Total liabilities and fund balances	\$ 3,947,478	\$ 2,058,389	\$ 636,163

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

Community Service Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 80,902	\$ 4,845,110
1,816,247	183,520	2,960,456
2,980,509	-	2,980,509
-	-	31,202
4,331	1,536	198,037
1	-	328,860
-	-	364,902
<u>\$ 4,801,088</u>	<u>\$ 265,958</u>	<u>\$ 11,709,076</u>
\$ 47,547	\$ 33,034	\$ 594,953
189,975	90,138	598,904
51,537	15,050	150,281
-	74,492	2,980,509
4,409,536	-	4,409,536
102,493	53,244	711,102
-	-	52,264
4,801,088	265,958	9,497,549
-	-	568,850
-	-	1,642,677
-	-	2,211,527
<u>\$ 4,801,088</u>	<u>\$ 265,958</u>	<u>\$ 11,709,076</u>

South Central Human Resource Agency
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

June 30, 2025

Total fund balance - governmental funds \$ 2,211,527

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	\$ 16,432,259	
Accumulated depreciation and amortization	(5,518,237)	10,914,022

Other long-term assets are not available resources and, therefore are not reported in the governmental funds:

Net pension assets/(liabilities)	2,608,022
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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.

1,169,181

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.

(647,847)

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	(1,053,018)	
Lease liabilities	(1,452,663)	(2,505,681)

Net position of governmental activities	\$ 13,749,224
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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, 2025</i>	General Fund	Children's Services Fund	Nutrition Fund
Revenues			
Grantor contributions	\$ -	\$ 14,426,351	\$ 233,205
Performance based income	-	-	1,589,423
Program income	2,511,644	-	-
State and local contributions	261,956	372,000	-
Other income	122,996	7,958	168,692
Total revenues	2,896,596	14,806,309	1,991,320
Expenditures			
Salaries	1,097,092	7,515,971	715,444
Fringe benefits	361,654	2,550,365	186,348
Participant costs	5,987	10,209	2,079
Food	27,160	599,632	732,214
Indirect costs	14,716	1,127,049	168,543
Contract services	38,694	47,882	610
Insurance and bonding	108,226	68,980	6,851
Maintenance and repairs	52,720	141,207	10,875
Office supplies	7,190	2,967	1,131
Other	373,115	137,393	3,614
Postage	4,460	1,413	589
Printing and duplication	4,723	2,283	61
Professional services	392,473	308,229	21,031
Program supplies	40,565	435,554	28,660
Rent and leases	851,866	340,442	48,270
Telephone	21,770	149,270	7,581
Transportation	21,062	24,462	19,735
Travel - in area	-	39,904	36,698
Travel - out of area	93,984	160,826	2,629
Utilities	69,193	182,283	28,676
Vehicles and equipment	4,539	959,988	26,026
Total expenditures	3,591,189	14,806,309	2,047,665
Excess (deficiency) revenue over (under) expenditures	(694,593)	-	(56,345)
Other Financing Sources and (Uses)			
Other financing sources	710,574	-	-
Net change in fund balances	15,981	-	(56,345)
Fund balances (deficit) - beginning of year	2,407,550	-	(155,659)
Fund balances (deficit) - ending of year	\$ 2,423,531	\$ -	\$ (212,004)

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

Community Service Fund	Nonmajor Funds	Total Governmental Funds
\$ 9,036,059	\$ 827,358	\$ 24,522,973
487,384	-	2,076,807
-	-	2,511,644
7,178,489	658,612	8,471,057
969	94,819	395,434
16,702,901	1,580,789	37,977,915
1,901,909	660,220	11,890,636
682,247	148,375	3,928,989
7,937,544	500,109	8,455,928
958	682	1,360,646
533,857	81,324	1,925,489
66,517	145	153,848
20,806	3,270	208,133
9,033	1,533	215,368
3,543	117	14,948
4,861,989	1,528	5,377,639
12,632	1,554	20,648
109	734	7,910
67,701	9,597	799,031
24,076	57,073	585,928
348,260	50,344	1,639,182
62,017	9,608	250,246
9,722	2,711	77,692
43,403	1,499	121,504
28,021	44,415	329,875
66,912	3,842	350,906
21,645	2,109	1,014,307
16,702,901	1,580,789	38,728,853
-	-	(750,938)
		710,574
-	-	(40,364)
-	-	2,251,891
\$ -	\$ -	\$ 2,211,527

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

For the year ended June 30, 2025

Total net change in fund balances - governmental funds	\$	(40,364)
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Amounts reported for governmental activities in the statement of activities are different because:

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. 894,161

Lease arrangements represent the value of future lease payments and are recorded as other financing sources in the governmental funds. Under the full accrual accounting method, the present value of future lease payments are recorded as a liability, net of payment. (710,574)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on note payable	\$	44,017	
Principal payments on capital lease obligation		353,033	397,050

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. 158,624

Change in net position of governmental activities	\$	698,897
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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

	Budgeted Amounts			Variance
For the year ended June 30, 2025	Original	Final	Actual	with Final Budget
Revenues				
Program income	\$ 2,415,377	\$ 2,415,377	\$ 2,511,644	\$ 96,267
State and local contributions	251,690	251,690	261,956	10,266
Other income	121,150	121,150	122,996	1,846
Total revenues	2,788,217	2,788,217	2,896,596	108,379
Expenditures				
Salaries	1,062,029	1,062,029	1,097,092	(35,063)
Fringe benefits	348,771	348,771	361,654	(12,883)
Participant costs	4,902	4,902	5,987	(1,085)
Food	21,181	21,181	27,160	(5,979)
Indirect costs	16,090	16,090	14,716	1,374
Contract services	40,300	40,300	38,694	1,606
Insurance and bonding	107,687	107,687	108,226	(539)
Maintenance and repairs	27,275	27,275	52,720	(25,445)
Office supplies	5,320	5,320	7,190	(1,870)
Other	152,320	152,320	373,115	(220,795)
Postage	4,893	4,893	4,460	433
Printing and duplication	6,207	6,207	4,723	1,484
Professional services	366,983	366,983	392,473	(25,490)
Program supplies	36,100	36,100	40,565	(4,465)
Rent and leases	121,029	121,029	851,866	(730,837)
Telephone	27,882	27,882	21,770	6,112
Transportation	21,885	21,885	21,062	823
Travel - in area	100	100	-	100
Travel - out of area	104,638	104,638	93,984	10,654
Utilities	62,500	62,500	69,193	(6,693)
Vehicles and equipment	35,287	35,287	4,539	30,748
Total expenditures	2,573,379	2,573,379	3,591,189	(1,017,810)
Net change in fund balance	214,838	214,838	(694,593)	(909,431)
Other Financing Sources (Uses)				
Other financing sources	-	-	710,574	710,574
Net change in fund balance	214,838	214,838	15,981	(198,857)
Fund balance beginning of year	2,407,550	2,407,550	2,407,550	-
Fund balance ending of year	\$ 2,622,388	\$ 2,622,388	\$ 2,423,531	\$ (198,857)

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, 2025</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 14,647,988	\$ 14,647,988	\$ 14,426,351	\$ (221,637)
State and local contributions	372,000	372,000	372,000	-
Other income	-	-	7,958	7,958
Total revenues	15,019,988	15,019,988	14,806,309	(213,679)
Expenditures				
Salaries	7,886,220	7,886,220	7,515,971	370,249
Fringe benefits	3,288,438	3,288,438	2,550,365	738,073
Participant costs	9,500	9,500	10,209	(709)
Food	872,344	872,344	599,632	272,712
Indirect costs	1,064,981	1,064,981	1,127,049	(62,068)
Contract services	33,570	33,570	47,882	(14,312)
Insurance and bonding	66,000	66,000	68,980	(2,980)
Maintenance and repairs	149,250	149,250	141,207	8,043
Office supplies	8,875	8,875	2,967	5,908
Other	65,242	65,242	137,393	(72,151)
Postage	2,350	2,350	1,413	937
Printing and duplication	1,300	1,300	2,283	(983)
Professional services	169,737	169,737	308,229	(138,492)
Program supplies	296,516	296,516	435,554	(139,038)
Rent and leases	331,219	331,219	340,442	(9,223)
Telephone	161,450	161,450	149,270	12,180
Transportation	18,500	18,500	24,462	(5,962)
Travel - in area	35,000	35,000	39,904	(4,904)
Travel - out of area	153,186	153,186	160,826	(7,640)
Utilities	176,313	176,313	182,283	(5,970)
Vehicles and equipment	763,014	763,014	959,988	(196,974)
Total expenditures	15,553,005	15,553,005	14,806,309	746,696
Net change in fund balance	(533,017)	(533,017)	-	533,017
Fund balance beginning of year	-	-	-	-
Fund balance ending of year	\$ (533,017)	\$ (533,017)	\$ -	\$ 533,017

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, 2025</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 230,000	\$ 230,000	\$ 233,205	\$ 3,205
Performance based income	1,550,000	1,550,000	1,589,423	39,423
Other income	160,000	160,000	168,692	8,692
Total revenues	1,940,000	1,940,000	1,991,320	51,320
Expenditures				
Salaries	710,000	710,000	715,444	(5,444)
Fringe benefits	156,200	156,200	186,348	(30,148)
Participant costs	-	-	2,079	(2,079)
Food	761,000	761,000	732,214	28,786
Indirect costs	160,337	160,337	168,543	(8,206)
Contract services	600	600	610	(10)
Insurance and bonding	8,600	8,600	6,851	1,749
Maintenance and repairs	5,500	5,500	10,875	(5,375)
Office supplies	1,500	1,500	1,131	369
Other	1,961	1,961	3,614	(1,653)
Postage	600	600	589	11
Printing and duplication	100	100	61	39
Professional services	20,000	20,000	21,031	(1,031)
Program supplies	33,000	33,000	28,660	4,340
Rent and leases	41,500	41,500	48,270	(6,770)
Telephone	7,500	7,500	7,581	(81)
Transportation	2,500	2,500	19,735	(17,235)
Travel - in area	38,000	38,000	36,698	1,302
Travel - out of area	3,450	3,450	2,629	821
Utilities	30,000	30,000	28,676	1,324
Vehicles and equipment	-	-	26,026	(26,026)
Total expenditures	1,982,348	1,982,348	2,047,665	(65,317)
Net change in fund balance	(42,348)	(42,348)	(56,345)	(13,997)
Fund balance (deficit) beginning of year	(155,659)	(155,659)	(155,659)	-
Fund balance (deficit) ending of year	\$ (198,007)	\$ (198,007)	\$ (212,004)	\$ (13,997)

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, 2025</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 9,133,724	\$ 9,133,724	\$ 9,036,059	\$ (97,665)
Performance based income	553,157	553,157	487,384	(65,773)
State and local contributions	7,853,144	7,853,144	7,178,489	(674,655)
Other income	-	-	969	969
Total revenues	17,540,025	17,540,025	16,702,901	(837,124)
Expenditures				
Salaries	2,141,688	2,141,688	1,901,909	239,779
Fringe benefits	735,333	735,333	682,247	53,086
Participant costs	8,309,069	8,309,069	7,937,544	371,525
Food	64	64	958	(894)
Indirect costs	604,849	604,849	533,857	70,992
Contract services	91,042	91,042	66,517	24,525
Insurance and bonding	24,777	24,777	20,806	3,971
Maintenance and repairs	8,406	8,406	9,033	(627)
Office supplies	7,159	7,159	3,543	3,616
Other	4,863,510	4,863,510	4,861,989	1,521
Postage	12,530	12,530	12,632	(102)
Printing and duplication	577	577	109	468
Professional services	85,997	85,997	67,701	18,296
Program supplies	34,002	34,002	24,076	9,926
Rent and leases	374,140	374,140	348,260	25,880
Telephone	66,509	66,509	62,017	4,492
Transportation	9,266	9,266	9,722	(456)
Travel - in area	33,763	33,763	43,403	(9,640)
Travel - out of area	29,849	29,849	28,021	1,828
Utilities	68,022	68,022	66,912	1,110
Vehicles and equipment	25,101	25,101	21,645	3,456
Total expenditures	17,525,653	17,525,653	16,702,901	822,752
Net change in fund balance	14,372	14,372	-	(14,372)
Fund balance beginning of year	-	-	-	-
Fund balance ending of year	\$ 14,372	\$ 14,372	\$ -	\$ (14,372)

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, 2025, expenditures exceeded appropriations in the General Fund by \$1,017,810, which was funded by unanticipated revenues and available fund balance. The Nutrition Fund expenditures exceeded appropriations by \$65,317, which was partially funded with unanticipated revenues. The Justice Services Fund presented as a nonmajor fund expenditures exceeded appropriations by \$77,290, which was funded with unanticipated revenues.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

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, 2025 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.

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 Fund Balance (continued)

Capital Assets (continued)

The cost of capital assets is depreciated using the straight-line method over the estimated useful lives (5 - 40 years). The costs for normal maintenance and repairs that do not add value to the assets or materially extend the lives of the assets are not capitalized.

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt, 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, 2025.

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, 2025.

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

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 Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

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

Pension Plan

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

Categories and Classification of Net Position and Fund Balance

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:

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 Fund Balance (continued)

Categories and Classification of Net Position and Fund Balance (continued)

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 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.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 18, 2025, and determined there were no events that occurred that required disclosure.

Recently Issued and Implemented Accounting Pronouncements

In June 2022, the GASB issued 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. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. There were no significant impacts of implementing this Statement.

GASB Statement No. 102, Certain Risk Disclosures. The objective 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 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.

In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. There were no significant impacts of implementing this Statement.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective 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. In addition to other items, the Statement:

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows;
- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- Requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements;
- Requires governments to present budgetary comparison information using a single method of communication (RSI).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, the GASB issued GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale and that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. 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. There were no significant impacts of implementing this statement.

Note 2: 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

South Central Human Resource Agency Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

covered by the Pool are considered to be fully insured for purposes of credit risk disclosure. At June 30, 2025, the carrying amount of the Agency's deposits was \$5,156,095, which were fully insured or collateralized.

Account Receivables

Receivables from grantor agencies and others included on the accompanying financial statements as of June 30, 2025, are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Nonmajor Funds	Total
Tennessee Housing Development	\$ -	\$ -	\$ -	\$ 1,264,958	\$ -	\$ 1,264,958
Tennessee Dept of Human Svs	-	-	-	190,815	-	190,815
Senior Service America, Inc.	-	-	-	-	43,896	43,896
St of TN Dept of Agriculture	-	-	-	46,305	-	46,305
U.S. Dept of Health and Human Services	-	822,604	-	-	-	822,604
Other	87	-	18,353	-	43,666	62,106
South Central TN Development District	-	-	119,645	314,169	-	433,814
St of TN Dept. of Mental Health & Substance Abuse Services	-	-	-	-	64,463	64,463
Corporation for National and Community Service	-	-	-	-	31,495	31,495
Total receivables	\$ 87	\$ 822,604	\$ 137,998	\$ 1,816,247	\$ 183,520	\$ 2,960,456

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, 2025 consisted of the following amounts:

Due from					
Due to	General Fund	Children's Services Fund	Nutrition Fund	Nonmajor Funds	Total
Community Services	\$ (1,122,536)	\$ (1,112,134)	\$ (671,347)	\$ (74,492)	\$ (2,980,509)
	\$ (1,122,536)	\$ (1,112,134)	\$ (671,347)	\$ (74,492)	\$ (2,980,509)

South Central Human Resource Agency Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Construction in progress	1,076,546	910,722	-	1,987,268
Total capital assets not being depreciated/amortized	1,108,846	910,722	-	2,019,568
Capital assets, being depreciated:				
Buildings and improvements	8,737,767	-	-	8,737,767
Vehicles	1,657,931	-	-	1,657,931
Equipment	828,813	51,984	6,274	874,523
Capital assets, being depreciated	11,224,511	51,984	6,274	11,270,221
Less accumulated depreciation for				
Buildings and improvements	1,557,270	253,287	-	1,810,557
Vehicles	1,327,585	103,433	-	1,431,018
Equipment	416,326	88,028	6,274	498,080
Total accumulated depreciation/amortization	3,301,181	444,748	6,274	3,739,655
Total capital assets being depreciated, net	7,923,330	(392,764)	-	7,530,566
Right-to-use lease assets, being amortized				
Buildings	3,353,681	710,565	921,776	3,142,470
Less accumulated amortization for				
Buildings	2,362,571	334,362	918,351	1,778,582
Right-to-use lease assets being amortized, net	991,110	376,203	3,425	1,363,888
Total governmental activities capital assets, net	\$ 10,023,286	\$ 894,161	\$ 3,425	\$ 10,914,022

Depreciation expense, which includes amortization of assets under right-of-use (ROU) assets, totaled approximately \$779,120 for the year ended June 30, 2025. There were no significant asset impairments for the year ended June 30, 2025.

South Central Human Resource Agency
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

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

Governmental Activities

General Fund	\$ 157,544
Children's Services Fund	257,472
Nutrition Fund	12,668
Community Service Fund	17,064
<hr/>	
Total	\$ 444,748

The following is a summary of the amount of leased assets by major classes of underlying assets for the fiscal year ended June 30, 2025.

Lease building	\$ 3,142,470
Less accumulated amortization	(1,778,582)
<hr/>	
Lease building, net	\$ 1,363,888

Due to CRPP Clients

Due to CRPP clients total \$4,409,536 for the year ended June 30, 2025 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, 2025.

South Central Human Resource Agency Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

Long Term Debt

During the year ended June 30, 2025, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance July 1, 2024	Proceeds	Retirements	Balance June 30, 2025	Amounts Due Within One Year
Compensated absences					
General Fund	\$ 121,189	\$ 108,015	\$ 103,354	\$ 125,850	\$ 125,850
Children's Services	309,868	407,178	355,466	361,580	361,580
Nutrition	64,520	30,299	26,884	67,935	67,935
Community Services	117,539	100,654	115,700	102,493	102,493
Nonmajor	43,388	22,042	12,186	53,244	53,244
Total	656,504	668,188	613,590	711,102	711,102
Note from direct borrowings					
Lawrence Head Start building	152,367	-	44,017	108,350	45,097
Warehouse construction	999,822	-	55,154	944,668	22,408
Total	1,152,189	-	99,171	1,053,018	67,505
Leases - ROU Assets	1,095,122	710,574	353,033	1,452,663	328,796
Total long-term liabilities	\$ 2,903,815	\$ 1,378,762	\$ 1,065,794	\$ 3,216,783	\$ 1,107,403

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 - In July 2024 the Agency entered into a twenty-five year agreement with First Bank of Frankewing for the new warehouse. The note has a stated interest rate of 4.75% and calls for monthly payments of \$5,702. Note payments are made with state appropriation dollars.

South Central Human Resource Agency Notes to Financial Statements

Note 2: 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
2026	\$ 67,505	\$ 48,112
2027	69,677	45,937
2028	41,696	54,388
2029	25,833	42,594
2030	27,088	41,339
2031-2035	156,500	185,635
2036-2040	198,380	143,756
2041-2045	251,466	90,669
2046-2049	214,873	58,849
Total	\$ 1,053,018	\$ 711,279

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, 2025, the value of lease liability was \$1,452,653. The Agency is required to make monthly principal payments totaling \$31,615. The leases have interest rates ranging from 3.25% to 8.25%.

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2026	\$ 328,796	\$ 50,578
2027	326,903	67,613
2028	310,584	24,941
2029	258,971	13,431
2030	182,081	4,562
2030-2034	32,630	370
Total	\$ 1,439,965	\$ 161,495

South Central Human Resource Agency Notes to Financial Statements

Note 3: 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 \$211,185 for the year ended June 30, 2025.

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 4: 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 4: 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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	259
Active employees	221
<hr/>	
Total	496

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, 2025, the employer contributions for the Agency was \$496,834 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, 2024, 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, 2024 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 4: EMPLOYEE RETIREMENT PLAN (Continued)

Net Pension Liability (Asset) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2024 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%
Total		100.00%

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 4: EMPLOYEE RETIREMENT PLAN (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 5,568,795	\$ 7,930,201	\$ (2,361,406)
Changes for the year:			
Service cost	913,589	-	913,589
Interest	434,641	-	434,641
Differences between expected and actual experience	80,052	-	80,052
Contributions - employer	-	461,087	(461,087)
Contributions - employee	-	419,171	(419,171)
Net investment income	-	812,068	(812,068)
Benefit payments, including refunds of employee contributions	(86,513)	(86,513)	-
Administrative expense	-	(17,428)	17,428
Net changes	1,341,769	1,588,385	(246,616)
Balances at June 30, 2024	\$ 6,910,564	\$ 9,518,586	\$ (2,608,022)

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)	\$ (1,244,494)	\$ (2,608,022)	\$ (3,662,841)

South Central Human Resource Agency Notes to Financial Statements

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

Pension Expense and Deferred Inflows/Outflows of Resources

Pension expense. For the year ended June 30, 2025, the Agency recognized negative pension expense of \$381,310.

Deferred outflows and deferred inflows or resources. For the year ended June 30, 2025, 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	\$ 672,347	\$ 405,416
Net difference between projected and actual earnings of pension plan investments	-	94,278
Changes of assumptions	-	148,153
Contributions subsequent to the measurement date	496,834	-
Total	\$ 1,169,181	\$ 647,847

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” 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,	
2026	\$ (21,480)
2027	153,599
2028	13,563
2029	(53,441)
2030	(67,741)
Thereafter	-
Total	\$ 24,500

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 5: 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 6: 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 Head Start buildings in the process of being completed as of June 30, 2025 with minimal remaining expenses related. These projects are grant funded.

Note 7: 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>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 913,589	\$ 956,837	\$ 895,373	\$ 731,006	\$ 674,660	\$ 574,403	\$ 68	\$ 414	\$ 1,223	\$ 1,218
Interest	434,641	362,347	314,557	231,348	167,787	101,858	12,224	11,534	10,910	10,843
experience	80,052	(127,914)	(502,478)	675,595	6,998	162,280	666,067	12,031	5,801	(5,950)
Changes of assumptions	-	-	-	(296,309)	-	-	-	2,470	-	-
Benefit payments, including refunds of employee contributions	(86,513)	(67,489)	(54,333)	(19,495)	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)
Net change in total pension liability	1,341,769	1,123,781	653,119	1,322,145	810,756	818,364	665,828	16,402	10,373	3,229
Total pension liability - beginning	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
Total pension liability - ending (a)	\$ 6,910,564	\$ 5,568,795	\$ 4,445,014	\$ 3,791,895	\$ 2,469,750	\$ 1,658,994	\$ 840,630	\$ 174,802	\$ 158,400	\$ 148,027
Plan Fiduciary Net Position										
Contributions - employer	\$ 461,087	\$ 428,926	\$ 379,658	\$ 361,850	\$ 328,630	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -
Contributions - member	419,171	398,993	379,658	361,854	328,630	286,310	235,265	-	-	-
Net investment income	812,068	476,000	(253,280)	1,217,590	192,679	229,809	198,808	221,395	50,710	57,285
Benefit payments, including refunds of employee contributions	(86,513)	(67,489)	(54,333)	(19,495)	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)
Administrative expense	(17,428)	(14,772)	(22,591)	(20,362)	(17,075)	(17,176)	(16,470)	-	-	-
Other	-	-	-	-	-	-	8,099	-	-	-
Net change in plan fiduciary net position	1,588,385	1,221,658	429,112	1,901,437	794,175	765,075	648,437	211,348	43,149	54,403
Plan net position - beginning	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
Plan net position - ending (b)	\$ 9,518,586	\$ 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
Net pension liability (asset) - ending (a) - (b)	\$ (2,608,022)	\$ (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)
Plan fiduciary net position as a percentage of the total pension	137.74%	142.40%	150.92%	165.60%	177.26%	216.02%	335.31%	1241.58%	1236.72%	1294.23%
Covered payroll**	\$ 8,383,394	\$ 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	-31.11%	-30.28%	-29.81%	-34.37%	-29.03%	-33.61%	-42.04%	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>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 362,335	\$ 414,140	\$ 421,907	\$ 302,967	\$ 288,756	\$ 229,384	\$ 286,309	\$ 235,266	\$ -	\$ -
Contributions in relation to the actuarially determined contribution*	496,834	461,087	428,926	379,658	361,850	328,630	286,309	235,266	-	-
Contribution deficiency (excess)	\$ (134,499)	\$ (46,947)	\$ (7,019)	\$ (76,691)	\$ (73,094)	\$ (99,246)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,058,380	\$ 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	5.48%	5.50%	5.50%	5.00%	5.00%	5.00%	5.00%	5.00%	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, 2025</i>	Senior Services Fund	Justice Services Fund	Total Nonmajor Funds
Assets			
Cash and cash equivalents	\$ -	\$ 80,902	\$ 80,902
Receivables			
Funding sources and others	75,391	108,129	183,520
Prepaid expenses	-	1,536	1,536
Total assets	\$ 75,391	\$ 190,567	\$ 265,958
Liabilities			
Accounts payable	\$ 28,963	\$ 4,071	\$ 33,034
Accrued payroll	28,070	62,068	90,138
Accrued payroll taxes and employee benefits	2,969	12,081	15,050
Due to other funds	1,367	73,125	74,492
Accrued leave	14,022	39,222	53,244
Total liabilities	75,391	190,567	265,958
Fund Balances			
Non-spendable	-	-	-
Unassigned	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 75,391	\$ 190,567	\$ 265,958

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

<i>For the year ended June 30, 2025</i>	Senior Services Fund	Justice Services Fund	Total Nonmajor Funds
Revenues			
Grantor contributions	\$ 827,358	\$ -	\$ 827,358
State and local contributions	-	658,612	658,612
Other income	500	94,319	94,819
Total revenues	827,858	752,931	1,580,789
Expenditures			
Salaries	296,762	363,458	660,220
Fringe benefits	32,146	116,229	148,375
Participant costs	443,357	56,752	500,109
Food	440	242	682
Indirect costs	18,336	62,988	81,324
Contract services	-	145	145
Insurance and bonding	890	2,380	3,270
Maintenance and repairs	-	1,533	1,533
Office supplies	8	109	117
Other	196	1,332	1,528
Postage	1,278	276	1,554
Printing and duplication	587	147	734
Professional services	3,976	5,621	9,597
Program supplies	509	56,564	57,073
Rent and leases	17,857	32,487	50,344
Telephone	3,121	6,487	9,608
Transportation	790	1,921	2,711
Travel - in area	512	987	1,499
Travel - out of area	5,944	38,471	44,415
Utilities	-	3,842	3,842
Vehicles and equipment	1,149	960	2,109
Total expenditures	827,858	752,931	1,580,789
Net change in fund balances	-	-	-
Fund balances beginning of year	-	-	-
Fund balances ending of year	\$ -	\$ -	\$ -

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, 2025</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 897,758	\$ 897,758	\$ 827,358	\$ (70,400)
Other income	-	-	500	500
Total revenues	897,758	897,758	827,858	(69,900)
Expenditures				
Salaries	325,521	325,521	296,762	28,759
Fringe benefits	35,969	35,969	32,146	3,823
Participant costs	512,449	512,449	443,357	69,092
Food	-	-	440	(440)
Indirect costs	17,872	17,872	18,336	(464)
Insurance and bonding	1,000	1,000	890	110
Office supplies	75	75	8	67
Other	325	325	196	129
Postage	910	910	1,278	(368)
Printing and duplication	750	750	587	163
Professional services	4,650	4,650	3,976	674
Program supplies	750	750	509	241
Rent and leases	15,700	15,700	17,857	(2,157)
Telephone	3,060	3,060	3,121	(61)
Transportation	1,075	1,075	790	285
Travel - in area	300	300	512	(212)
Travel - out of area	2,470	2,470	5,944	(3,474)
Vehicles and equipment	-	-	1,149	(1,149)
Total expenditures	922,876	922,876	827,858	95,018
Net change in fund balance	(25,118)	(25,118)	-	25,118
Fund balance beginning of year	-	-	-	-
Fund balance ending of year	\$ (25,118)	\$ (25,118)	\$ -	\$ 25,118

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, 2025</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
State and local contributions	\$ 675,233	\$ 675,233	\$ 658,612	\$ (16,621)
Other income	-	-	94,319	94,319
Total revenues	675,233	675,233	752,931	77,698
Expenditures				
Salaries	324,792	324,792	363,458	(38,666)
Fringe benefits	126,194	126,194	116,229	9,965
Participant costs	48,015	48,015	56,752	(8,737)
Food	20	20	242	(222)
Indirect costs	53,950	53,950	62,988	(9,038)
Contract services	-	-	145	(145)
Insurance and bonding	2,627	2,627	2,380	247
Maintenance and repairs	350	350	1,533	(1,183)
Office supplies	4,425	4,425	109	4,316
Other	920	920	1,332	(412)
Postage	26,585	26,585	276	26,309
Printing and duplication	297	297	147	150
Professional services	5,350	5,350	5,621	(271)
Program supplies	5,275	5,275	56,564	(51,289)
Rent and leases	26,452	26,452	32,487	(6,035)
Telephone	5,620	5,620	6,487	(867)
Transportation	4,556	4,556	1,921	2,635
Travel - in area	4,159	4,159	987	3,172
Travel - out of area	32,679	32,679	38,471	(5,792)
Utilities	3,000	3,000	3,842	(842)
Vehicles and equipment	375	375	960	(585)
Total expenditures	675,641	675,641	752,931	(77,290)
Net change in fund balance	(408)	(408)	-	408
Fund balance beginning of year	-	-	-	-
Fund balance ending of year	\$ (408)	\$ (408)	\$ -	\$ 408



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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, 2025, 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 18, 2025.

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.

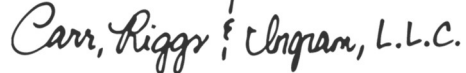
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Enterprise, Alabama
December 18, 2025



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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, 2025. 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, 2025.

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

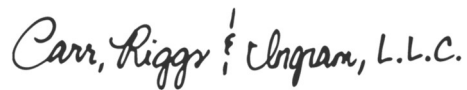
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

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

Enterprise, Alabama
December 18, 2025

South Central Human Resource Agency
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct programs:				
Head Start*	93.600	04CH012673-01	\$ - \$	13,074,740
Head Start*	93.600	04WH000030-01	-	746,322
Total direct programs/Subtotal for 93.600/Subtotal Head Start Cluster			-	13,821,062
Passed through Tennessee Housing Development Agency				
Low-Income Home Energy Assistance	93.568	LIHEAP 25-15	-	4,008,087
Low-Income Home Energy Assistance	93.568	LIHEAP-24-15	-	1,378,029
Low-Income Home Energy Assistance	93.568	LIHEAP INF-24-15	-	15,294
Low-Income Home Energy Assistance	93.568	LIHEAP SUP-24-15	-	1,200
Low-Income Home Energy Assistance	93.568	LWx-22-08	-	65,033
Low-Income Home Energy Assistance	93.568	LIHEAPWX 23-27	-	149,870
Subtotal for 93.568			-	5,617,513
Passed through the State of Tennessee Department of Human Services				
Community Services Block Grant	93.569	Z-25-49116	-	569,185
Community Services Block Grant	93.569	Z-24-49116	-	214,505
Subtotal for 93.569			-	783,690
Social Services Block Grant	93.667	Z-22-49316	-	
Social Services Block Grant	93.667	Z-25-49316	-	201,060
Social Services Block Grant	93.667	Z-24-49316	-	66,223
Subtotal for 93.667			-	267,283
Total pass-through			-	6,668,486
Total U.S. Department of Health and Human Services			-	20,489,548
U.S. Department of Agriculture				
Passed through State of Tennessee Department of Agriculture				
Child and Adult Care Food Program	10.558	03-47-56026-00-1	-	605,290
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-04824	-	18,298
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-04625	-	85,254
Subtotal for 10.568			-	103,552

(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, 2025**

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	-	672,964
Total Food Distribution Cluster			-	776,516
Total U.S. Department of Agriculture			-	1,381,806
Corporation for National and Community Service				
Direct Program				
Foster Grandparent Program**	94.011	23SFHTN004	-	294,304
U.S. Department of Labor				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	PRJ299	-	533,054
Passed through South Central Tennessee Development District				
WIOA Adult Program****	17.258	LWSMF241ADULT24 - FT	-	127,933
WIOA Adult Program****	17.258	LWSMF251ADULT25 - FT	-	190,471
WIOA Adult Program****	17.258	LWSMP231ADULT24 - FT	-	457
WIOA Adult Program****	17.258	LWSMP231YUSWA23 - FT	-	227,882
WIOA Adult Program****	17.258	LWSMP241ADULT25 - FT	-	114,108
Subtotal for 17.258				660,851
WIOA Youth Program****	17.259	LWSMP231YOUTH24 - FT	-	77,780
WIOA Youth Program****	17.259	LWSMP241YOUTH25 - FT	-	422,608
Subtotal for 17.259			-	500,388
WIOA Dislocated Worker Formula Grant****	17.278	LWSMF241DSLKW24 - FT	-	335,786
WIOA Dislocated Worker Formula Grant****	17.278	LWSMF251DSLWK25 - FT	-	144,825
WIOA Dislocated Worker Formula Grant****	17.278	LWSMP231DSLWK24 - FT	-	43,256
WIOA Dislocated Worker Formula Grant****	17.278	LWSMP241DSLWK25 - FT	-	60,167
Subtotal for 17.259			-	584,034
Total WIOA Cluster			-	1,745,273
WIOA Dislocated Worker NDW	17.277	LWSMP231DRDWG24 - FT	-	484,560
WIOA RESEA	17.225	LWSMF221RESEA22 - FT	-	24,335
Total U.S. Department of Labor			-	2,787,222
U.S. Department of Energy				
Passed through Tennessee Housing Development Agency				
Weatherization Assistance for Low-Income Persons	81.042	WAP-24-09	-	296,939
U.S. Department of Treasury				
Passed through State of Tennessee Housing Development Agency				
COVID-19 Emergency Rental Assistance	21.023	COVID-19 ERA-EPP-2023-23	-	893,194
Total expenditures of federal awards			\$ -	\$ 26,143,013

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, 2025**

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	\$ - \$	133,330
State of TN Dept. of Mental Health and Substance Abuse Services (Felony Recovery Court - Lincoln)	N/A	79111	-	100,673
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lincoln)	N/A	79111	-	103,500
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lawrence)	N/A	79111	-	156,000
State of TN Community Foundation Incentives Tennessee Department of Labor	N/A	N/A	-	372,000
WIOA Summer Youth Employment Program	N/A	N/A	-	696,923
WIOA Rural Initiative	N/A	N/A	-	23,199
Total expenditures of state financial assistance			\$ - \$	1,585,625

*Head Start Cluster

**Foster Grandparent/Senior Companion Cluster

***Food Distribution Cluster

****WIOA 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, 2025. 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, the Emergency Food Assistance Program (ALN 10.568 and 10.569) is reported as the Food Distribution Cluster in the Schedule and WIOA Adult Program (ALN 17.258), Adult Youth Program (ALN 17.259) and WIOA Dislocated Worker Formula Grant (ALN 17.278) are reported as the WIOA Cluster.

Note 2: INDIRECT COST

The Agency has not elected to use the de Minimis cost rate for the year ended June 30, 2025.

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, 2025, 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 expended when the food is distributed. The amount expended is based on food commodity values provided by the State of Tennessee, Department of Agriculture. At June 30, 2025, the Agency had food commodities totaling \$672,964.

Note 8: SUBRECIPIENTS

The Agency did not provide federal funds to subrecipients for the fiscal year ending June 30, 2025.

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, 2025.

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, 2025.

**South Central Human Resource Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

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
10.568 & 10.569	Food Distribution Cluster
17.258, 17.259 & 17.278	WIOA Cluster
21.023	Emergency Rental Assistance Program
93.568	Low Income Home Energy Assistance Program

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$784,290 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | Yes |

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.