

**South Central Human
Resource Agency**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018



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South Central Human Resource Agency
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June 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
South Central Human Resource Agency
Fayetteville, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Children Services Fund, the Nutrition Fund, and the Community Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

January 28, 2019

Management's Discussion and Analysis

This discussion is intended to present a broad view of South Central Human Resource Agency's financial position and activities for the fiscal year ended June 30, 2018. This information is provided to comply with *GASB No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The discussion and analysis included in this document contain information regarding social services provided by South Central Human Resource Agency.

Mission Statement

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

Agency Overview

The South Central Human Resource Agency ("SCHRA" or the "Agency") was created July 11, 1973 and chartered as a public non-profit corporation February 19, 1975. The Agency's goal is to promote the development of human resources in South Central Tennessee through effective and efficient delivery of human services. From the Agency's central office at 1437 Winchester Highway in Fayetteville, Tennessee, it strives to effectively deliver human service programs and oversee the coordination efforts through its Neighborhood Service Centers located in the thirteen counties served by the Agency: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The counties served by SCHRA contain over 6,500 square miles of vastly rural country and supports a population of approximately 423,000 individuals. Across this region in fiscal year 2018, SCHRA had in place 13 Neighborhood Service Centers, 20 Head Start Centers, 21 Pre-K classroom collaborations in 3 counties, 7 Early Head Start Centers, and 21 congregate meal sites served by 2 commercial kitchens. The Senior Community Employment Program also serves clients in four additional counties: Bledsoe, Grundy, Marion, and Sequatchie. During fiscal year 2018, SCHRA delivered approximately \$23.7 million dollars of services and employed approximately 600 people.

Governing Bodies

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

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

Management's Discussion and Analysis

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

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

The Policy Council meets six times (bi-monthly) a year; the Executive Committee of the SCTDD, acting for the Governing Board, meets in concert with and ratifies Policy Council actions including program budgets, proposals, and contracts approved by the Policy Council. The Governing Board meets annually. The members of these bodies play a critical role in overseeing programs, ratifying policies and helping to plan the future of the Agency. Without a strategy based on knowledge and placed in the hands of competent and concerned individuals, the Agency would have only random ideas without a guiding purpose or direction.

Agency Facility Accomplishments

On March 20, 2002, the Agency acquired a 40,000 square foot, single story, brick commercial building situated on 5.1 acres, located at 1437 Winchester Highway. The replacement value is insured at approximately \$4 million dollars. This facility includes a commercial kitchen, office and program facilities, and a storage area for commodities held for distribution. The Agency moved into this building as its base of operations in April 2005 and continues to operate from this location.

The agency has worked hard to adapt to meet the challenges and opportunities of our mission. We continue to work toward the goals outlined in the agency's strategic plan with a focus on catalyzing resources and expanding services. We continue to improve the agency's facilities and equipment. The central office has had improvements with the addition of newly renovated restrooms that now meet ADA requirements. The agency did receive an USDA grant in the amount of \$40,000 for the restroom renovations. The central office also received new LED lighting, new energy efficient windows, parking lot sealing and stripping, roof repairs, and new industrial gutters. This past summer we also worked with Franklin County Government to renovate a space for a new Neighborhood Service Center in Winchester. The new center was a much needed improvement. Additionally, we have also made repairs and maintenance at our other facilities as required by our lease agreements. This will continue to be a focus in the foreseeable future for the agency. SCHRA management has developed a guiding standard for our current and future facilities that they must be accessible, clean, crisp, and professional. We also will continue to execute preventative maintenance on our facilities. This will insure facilities are kept to the above standard.

We continue to make a great strides to improve Head Start locations with safety concerns, new playgrounds and seeking better locations for our centers. The agency received funds to purchase the Lincoln Early Head Start and the replacement of the roof. We received a land donation from the City of Manchester for a new Early Head Start in Coffee County. We have also received stage 1

Management's Discussion and Analysis

approval from the Atlanta Regional Office for its construction. We hope to have bids awarded in late spring of 2019.

Our Justice Services program continues to expand with the new Recovery Courts in Lincoln and Lawrence Counties. The program also received a grant for tele-conferencing equipment that allows for remote location treatment sessions. This equipment also allows for national or regional meetings here at the agency without travel. The nutrition program continues to improve by reducing the operations deficit and delivering better service. A new van was purchased and new kitchen equipment has been installed. Nutrition staff is also utilizing a new automated inventory system.

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 2018 follow:

Head Start and Early Head Start Programs

The objective of the Head Start and Early Head Start (collectively referred to as "Head Start") programs, funded by the U.S. Dept. of Health and Human Services - Administration for Children and Families, is to promote school readiness of low-income children by enhancing children's cognitive, social and emotional development. Head Start and Early Head Start together serve pregnant women and children (birth to 5) and their families, who are under the poverty line or are eligible for public assistance. The Head Start program provides services in the following areas: early childhood development and health services and family and community partnerships. Inclusive in these services are education, medical and dental services, mental health, nutrition, parent involvement, family services, special needs services and family literacy. Children in the program were proficient in the categories of mathematics, language, cognitive skills, literacy, and social emotional skills. The percentages ranged from 86-92%. Ten percent of our enrollment is mandated to serve children with disabilities. Our program ensured that age-appropriate health services were provided to 1,169 enrolled and/or terminated children, with 89% receiving age appropriate preventive dental services, and 50 children receiving mental health services. Our centers are Tennessee State Childcare licensed, which implement the three-star rating system that uses the ECERS-R and ITERS-R to monitor learning environments and teaching practices. Along with establishing school readiness goals for the children, we acknowledge that parents are their child's first educators and will continue to be throughout their child's educational career. There were numerous parents and community volunteers who provided services to our program throughout all 13 of our counties. Head Start facility improvements continue to be a major focus of SCHRA. Several Head Start locations received new tricycle paths and shade structures during this last year. Additionally, facilities received safety improvements with video cameras and physical barriers around playgrounds. The Agency has also implemented Adverse Childhood Experience training within the Head Start Program. The program is centered on a known curriculum called Trauma Smart. The results and outcomes are making an impact within our agency.

Low-Income Home Energy Assistance Program

The Low-Income Home Energy Assistance Program ("LIHEAP") is funded by the Tennessee Housing Development Agency ("THDA"). This program provides assistance to elderly, handicapped, and low-

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income persons with energy used to heat their homes through financial assistance to offset a portion of the cost. Priority for assistance is given to lowest of income. Priority points are used to determine the amount of assistance which ranges from \$300 to \$600. Energy and crisis assistance is provided to eligible households through direct payment to a utility or propane company. During fiscal year 2018, a total of 7,363 households received assistance totaling \$2,803,509.

Nutrition Services for the Elderly Program

The Nutrition Services for the Elderly ("Nutrition") Program, funded by the South Central TN Development District/TN Commission on Aging and Disabilities through the Older Americans Act, strives to help the frail and elderly individuals aged 60 or over to eat adequately by providing a noon-time meal in a congregate or home delivered setting. The development of skill and/or knowledge to help the elderly select and prepare nourishing and well-balanced meals is also a primary concern. Meals are provided to those who have limited mobility which may impair their capacity to shop and cook for themselves. The program is committed to insuring the dignity of every person and underlining their importance through continued social contact and activities which minimize the need for institutionalism in nursing homes or comparable facilities. During fiscal year 2018, a total of 82,958 congregate meals were served to over 1,500 clients and 58,972 home delivered meals were served to over 260 clients. Additionally, funding through State of Tennessee Home and Community Based Program (Options), the Family Caregiver Program and the Statewide Long Term Care Choices Program (AmeriGroup, AmeriChoice, and Blue Care) provides similar meals to the frail and disabled aged 18 years or older. For this period, Options provided 16,152 meals to over 100 clients, Family Caregiver provided 289 meals to 3 clients, and Long Term Care Choices provided 23,657 meals to over 100 clients.

Community Representative Payee Program

The Community Representative Payee Program, funded by client fees established by the Social Security Administration, offers money management services to assist persons who are incapable of budgeting, paying routine bills, and keeping track of financial matters. Those served must receive Social Security or some type of disability benefit and be certified by a physician or judge to be incapable of money management. During fiscal year 2018, 294 clients were assisted in 27 Tennessee counties and 3 other states. Benefits overseen on behalf of clients for the year totaled \$2,458,402.

Food Service Program

Through the operation of two commercial kitchens SCHRA provides hot nutritious meals to programs and individuals for a fee without limited qualifications. This service acts as a vendor to numerous Agency programs as well as the general public. A staff of 15 employees, utilizing 12 vans, delivers centrally prepared food to all thirteen counties in the Agency's service area. Additionally these kitchens offer professional catering services to provide income to purchase major food service equipment and to help sustain the Agency's congregate meal service for a full five day week. During fiscal year 2018, these kitchens supplied 187,147 meals for the Agency's Senior Nutrition Program and 12,573 meals for its Head Start Program. Private pay meals totaled 5,427. Other catering engagements both internal and public produced additional revenues of \$106,125.

Community Services Block Grant Program

The Community Services Block Grant ("CSBG") Program provides a wide range of services and activities which will have a measurable and potentially major impact on poverty in the community. The Agency received funding for fiscal year 2018 for operation of its CSBG Program from funds passed through to the Agency by the Tennessee Dept. of Human Services ("DHS"). The CSBG Program insures access to programs and services by elderly, handicapped, and low-income persons through the Neighborhood Service Centers in each of the 13 counties served by the Agency, where experienced personnel assist in meeting the needs of the low-income population. Direct services to clients, except information and referral, have an income eligibility requirement of 125% of federal poverty guidelines. In addition to financial eligibility, need of service must be established according to the individual or household circumstances with priority given to the elderly and handicapped. During fiscal year 2018, the CSBG Program served 1,160 unduplicated households with 1,791 individuals and 17,598 units of service.

Senior Community Service Employment Program

The Senior Community Service Employment ("Title V") Program, funded by Senior Service America, Inc. ("SSAI"), is designed to assist economically disadvantaged people age 55 and over by providing immediate supplemental income, work experience and training at an approved training site, with an immediate goal of more permanent, unsubsidized employment. The Title V Program is also dedicated to strengthening families, communities, and the nation by providing older and disadvantaged individuals with opportunities to learn, work, and serve others. Clients must be age 55 or above, a legal resident of the county in which they apply, and be capable of performing tasks involved in the community service employment assigned as stated in the training site description, and must be economically disadvantaged, as determined by the currently established poverty guidelines - 125% scale. Title V clients who cannot immediately be placed into an unsubsidized job receive assistance on finding a job and/or are assigned to eligible non-profit and government agencies for approximately 20 hours of work per week. In these assignments, clients receive valuable work experience and skill training while assisting their host agency in delivering essential community services. During fiscal year 2018, the Title V Program served a 12 county area with an allocated slot level of 107 clients. The Title V Program also served 4 additional counties (Bledsoe, Grundy, Marion, and Sequatchie) with 44 clients which are outside of SCHRA's service area. During fiscal year 2018 a total of 151 clients were served.

Homemaker Services for the Elderly Program

The Homemaker Services for the Elderly ("Homemaker") Program, funded by the South Central TN Development District/TN Commission on Aging and Disabilities through the Older Americans Act ("SCTDD/AAAD"), provides homemaker, respite, and/or personal care services to individuals age 60 and over or adults age 18 or older who are disabled or incapacitated who wish to remain in their own homes. A plan of care related to household operations and home management for individuals eligible for the program is developed following an in-depth assessment through the SCTDD/AAAD. Without such services, they become at risk of residential or institutional care. Homemaker services involve a series of in-home contacts for the purpose of providing such services as light housekeeping, laundry, maintenance, household business, care and referral to other resources where appropriate. During fiscal year 2018, a total of 2,356.5 units of service were provided by the

Management's Discussion and Analysis

Homemaker Program. Additionally, funding through the State of Tennessee Home and Community Based Program (Options), the Family Caregiver Program and the Statewide Long Term Care Choices Program (AmeriGroup, AmeriChoice and, Blue Care) provides for homemaker and personal care assistance and respite sitter service to the frail elderly and adults with disabilities. During fiscal year 2018, Options provided 3,485 units of service, Family Caregiver provided 2,028 units of service, and Long Term Care Choices provided 7,204 units of service. These services were delivered to 123 clients.

Justice Services Program

The Community Corrections Program, funded by the Tennessee Dept. of Corrections, is designed to help alleviate the overcrowding of prisons and jails by offering constructive sentencing options for non-violent offenders in the Circuit Courts of the 14th Judicial District - Coffee County, the 17th Judicial District - Bedford, Lincoln, Marshall, and Moore Counties, and the 22nd Judicial District - Giles, Lawrence, Maury, and Wayne Counties. The Program provides intensive monitoring of offenders, and includes necessary services to enhance a successful reintegration into society. During fiscal year 2018, the Program served 475 clients who paid \$3,230.50 in victim restitution, \$8,521.00 in child support, and worked 3,278 hours of community service. The Agency also added new programming for Recovery Court for Lincoln and Lawrence Counties funded through Tennessee Dept. of Mental Health and Substance Abuse Services. The Agency also received funding through the Tennessee Dept. of Criminal Justice Programs for a Pre-Release Case Manager. These two new programs will aid greatly with our court services.

Foster Grandparent Program

The Foster Grandparent Program, funded by the Corporation for National Service, provides stipend volunteer opportunities for limited income persons age 55 and older to give supportive services to children with "special needs" in the community. Foster Grandparents assist children and adolescents with learning disabilities, those who have been abused and/or neglected, and drug addicted abandoned babies. Teen parents and their children may also be assisted by these volunteers. Foster Grandparents serve an average of 20 hours a week in volunteer stations such as Head Start, public schools, day care centers, shelters for abused women and children, and after school programs. Applicants must be at least 55 years old, willing to serve an average of 20 hours per week and meet 200% of poverty guidelines. Volunteers receive a modest tax-free allowance or stipend and an annual physical exam. For fiscal year 2018, services were provided for 169 "at risk" children by 64 Foster Grandparents.

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

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

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which homemaker services are deemed appropriate. During fiscal year 2018, a total of 5,736 hours of service were provided to 123 clients.

Weatherization Assistance Program

The Weatherization Assistance Program ("WAP"), funded by the Tennessee Housing Development Agency ("TDHA"), strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by TDHA to qualified housing units. Eligibility guidelines for this funding allow households of up to 200% of federal poverty level to benefit. The funding and scope of this program have been drastically reduced due to the lack of federal funding. During fiscal year 2018, 30 homes were weatherized at a funding level of \$332,550.

Overview of the Financial Statements

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

Basic Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements on pages 15 and 16 provide a broad overview of the Agency's financial position and operations in a manner similar to a private-sector business. The statement of net position presents the Agency's assets and liabilities on a full accrual, economic resource basis. The difference between assets and liabilities is reported as net position which is broken down into three parts: net investment in capital assets, restricted, and unrestricted. Net position serves as a useful indicator of the Agency's overall financial position. The statement of activities presents a comparison of expenses and revenues for each major function/program of the Agency and also reflects how the Agency's net position changed during the fiscal year. On the statement of activities, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All of the Agency's activities are considered to be governmental activities.

Fund Financial Statements

The fund financial statements on pages 17 through 24 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

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

Supplementary Information

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

Required Supplementary Information

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

Other Supplementary Information

The supplementary information on pages 47 through 56 is provided for purposes of additional analysis and is not a required part of the basic financial statements.

Single Audit

Under the Uniform Guidance, a Single Audit applies to nonfederal entities that expend \$750,000 or more in a year in federal awards. The Agency's expenditure of federal awards totaled approximately \$17.7 million during the fiscal year. Accordingly, a Single Audit was required. The Single Audit section of the financial statements on pages 51 through 58 includes the schedule of expenditures of federal and state awards and notes thereto, the schedule of findings and questioned costs, along with our independent auditors' 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, 2018 (as presented on page 15) with comparative data from June 30, 2017.

Management's Discussion and Analysis

Table 1
Condensed Statement of Net Position

	2018	2017
Current assets	\$ 2,251,628	\$ 2,300,988
Restricted assets	720,820	650,520
Net pension asset	1,995,505	1,800,559
Capital assets	2,441,194	2,076,251
Total assets	7,409,147	6,828,318
Deferred outflows of resources	-	65,448
Current liabilities	1,600,505	1,666,464
Capital lease obligation	53,244	18,419
Total liabilities	1,653,749	1,684,883
Deferred inflows of resources	394	-
Net position:		
Net investment in capital assets	2,387,950	2,057,832
Restricted for pension benefits	1,995,505	1,800,559
Unrestricted	1,371,549	1,350,492
Total net position	\$ 5,755,004	\$ 5,208,883

The Agency's assets exceeded liabilities by \$5.75 million as of June 30, 2018. The Agency's net position increased \$546,121 for the fiscal year.

The Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land) represents 40% of its net position as of June 30, 2018. The Agency uses these capital assets to provide services to clients; consequently, these assets are not available for future spending. The Agency's net position restricted for pension benefits represents 35% of its net position as of June 30, 2018. 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 Assets

Table 2 presents a summary of government-wide activity for the year ended June 30, 2018 (as presented on page 16) with comparative data for the year ended June 30, 2017.

Management's Discussion and Analysis

Table 2
Change in Net Position

	2018		2017	
	Amount	Percentage of Funding	Amount	Percentage of Funding
Revenues:				
Operating grants and contributions	\$ 18,474,151	73.18%	\$ 17,747,075	78.09%
Charges for services and other income	6,770,666	26.82%	4,979,818	21.91%
Total revenues	25,244,817	100.00%	22,726,893	100.00%
Expenses:				
Head Start	10,715,872	42.45%	10,783,847	47.45%
Low-Income Home Energy Assistance	3,580,315	14.18%	3,244,492	14.28%
Community Representative Payee	2,523,074	9.99%	2,364,711	10.40%
Nutrition Services for the Elderly	1,341,541	5.31%	1,566,350	6.89%
Food Service	1,206,267	4.78%	1,214,223	5.34%
Community Service Block Grant	939,123	3.72%	777,402	3.42%
Senior Community Service Employment	669,917	2.65%	698,289	3.07%
Community Corrections	744,248	2.95%	543,475	2.39%
Homemaker Services for the Elderly	296,943	1.18%	320,896	1.41%
Foster Grandparents	259,275	1.03%	244,661	1.08%
Social Services Block Grant	222,195	0.88%	243,935	1.07%
Weatherization Assistance	198,605	0.79%	245,711	1.08%
Emergency Food Assistance	98,920	0.39%	95,268	0.42%
State Appropriations, Agency & Other	1,902,401	7.54%	238,273	1.05%
Total expenses	\$ 24,698,696	97.84%	\$ 22,581,533	99.36%
Change in net position	\$ 546,121	2.16%	\$ 145,360	0.64%

Net position increased by \$546,121 for the fiscal year compared to an increase in net position of \$145,360 for the prior year. Operating grants and contributions provided approximately 73% of the revenues for governmental activities for the current and 78% of the revenues for the prior fiscal year. These funds were expended in both years primarily for child education, energy assistance, and nutrition and other services for the elderly.

Financial Analysis of the Agency's Funds

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

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, 2018, the Agency's governmental funds reported a total fund balance of approximately \$1.46 million, an increase of \$177,464 over the prior fiscal year.

Management's Discussion and Analysis

The general fund is the Agency's primary operating fund. Revenues exceeded expenditures in this fund by \$177,464 for the fiscal year. The unassigned fund balance of the general fund was approximately \$1.46 million as of June 30, 2018.

Net Pension Asset

As of June 30, 2018, the Agency's net pension asset totaled \$1,995,505 compared to \$1,800,559 in the prior fiscal year; a net increase of \$194,946. Additional information on the Agency's pension plan can be found in Note 10 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 21.

Capital Assets

As of June 30, 2018, the Agency's capital assets totaled \$2,441,194 compared to \$2,076,251 in the prior fiscal year; a net increase of \$364,943. These assets include buildings and improvements, vehicles, equipment, and land. Additions to capital assets totaled \$567,384. Assets with an original cost of \$88,971 and accumulated depreciation of \$88,556 were disposed of during the fiscal year creating a loss on disposal of \$414. The Agency also recognized depreciation expense of \$202,026. Additional information on the Agency's capital assets can be found in Note 6 of the financial statements.

Long-Term Debt

In April 2018, the Agency took out a loan of \$95,000 with First Nation Bank to be paid back over the course of 60 months to renovate our restrooms. As of June 30, 2018, the long-term debt totaled \$90,565. This improvement was used to make our restrooms handicap accessible and to modernize the original 1958 facilities. The agency hopes to speed up the repayment of the loan and have it paid off by August 2019.

Factors Bearing on SCHRA's Future

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

Requests for Information

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

South Central Human Resource Agency
Statement of Net Position
June 30, 2018

Assets

Cash and cash equivalents	\$	458,962
Certificate of deposit		468,522
Receivables		1,170,920
Inventories - kitchen supplies		30,912
Prepaid expenses		122,312
Restricted assets:		
Cash and cash equivalents		598,208
Inventories - food commodities		122,612
Net pension asset		1,995,505
Capital assets, not being depreciated		32,300
Capital assets, net of depreciation		2,408,894
<hr/>		
Total assets		7,409,147
<hr/>		

Liabilities

Current liabilities		
Accounts payable		166,067
Accrued payroll		205,138
Accrued payroll taxes and employee benefits		231,442
Due to funding source		565,691
Accrued leave		311,272
Accrued audit fee		30,330
Capital lease obligation		53,244
Note payable		90,565
<hr/>		
Total liabilities		1,653,749
<hr/>		

Deferred Inflow of Resources

Deferred inflow related to pension		394
<hr/>		

Net Position

Net investment in capital assets		2,387,950
Restricted for pension benefits		1,995,505
Unrestricted		1,371,549
<hr/>		
Total net position	\$	5,755,004
<hr/>		

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, 2018**

Functions/Programs	Expenses	
	Direct Expenses	Indirect Costs Allocated
Governmental Activities:		
Program activities:		
Head Start	\$ 9,911,927	\$ 803,945
Low-Income Home Energy Assistance	3,459,766	120,549
Community Representative Payee	2,514,374	8,700
Nutrition Services for the Elderly	1,314,044	27,497
Community Service Block Grant	865,237	73,886
Senior Community Service Employment	663,287	6,630
Community Corrections	691,656	52,592
Homemaker Services for the Elderly	273,517	23,426
Foster Grandparents	251,076	8,199
Social Services Block Grant	204,644	17,551
Weatherization Assistance	193,962	4,643
Emergency Food Assistance	91,108	7,812
Other	1,624,916	11,082
Support services:		
Food service	1,114,463	91,804
State Appropriations, Agency & Other	257,579	8,824
Total	\$ 23,431,556	\$ 1,267,140

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	
\$ -	\$ 10,906,183	\$ 190,311
61	3,579,595	(659)
2,529,557	-	6,483
792,905	548,573	(63)
3,972	935,481	330
-	669,769	(148)
31,676	722,664	10,092
279,850	-	(17,093)
50	266,462	7,237
-	222,214	19
-	198,603	(2)
528	98,920	528
1,700,796	95,839	160,637
		-
1,196,302	-	(9,965)
234,969	229,848	198,414
<u>\$ 6,770,666</u>	<u>\$ 18,474,151</u>	546,121
		5,208,883
		<u>\$ 5,755,004</u>

**South Central Human Resource Agency
Balance Sheet – Governmental Funds
June 30, 2018**

	General Fund	Children's Services Fund	Nutrition Fund
Assets			
Cash and cash equivalents	\$ 451,487	\$ -	\$ -
Certificate of deposit	468,522	-	-
Receivables			
Funding sources and others	17,451	269,146	103,034
Due from other funds	612,223	-	-
Inventories - kitchen supplies	-	-	30,912
Prepaid expenses	60,647	39,293	3,272
Restricted assets:			
Cash and cash equivalents	10,802	273,442	-
Inventories - food commodities	-	-	122,612
Total assets	\$ 1,621,132	\$ 581,881	\$ 259,830
Liabilities			
Accounts payable	\$ 17,112	\$ 94,074	\$ 44,663
Accrued payroll	25,961	62,220	23,912
Accrued payroll taxes and employee benefits	25,775	148,896	11,546
Due to funding sources	369	-	-
Due to other funds	-	133,662	128,875
Accrued leave	59,077	143,029	50,834
Accrued audit fee	30,330	-	-
Total liabilities	158,624	581,881	259,830
Fund Balances			
Non-spendable	60,647	39,293	34,184
Unassigned	1,401,861	(39,293)	(34,184)
Total fund balances	1,462,508	-	-
Total liabilities and fund balances	\$ 1,621,132	\$ 581,881	\$ 259,830

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

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 7,475	\$ 458,962
-	-	468,522
575,517	205,772	1,170,920
-	422,889	1,035,112
-	-	30,912
11,020	8,080	122,312
313,914	50	598,208
-	-	122,612
<u>\$ 900,451</u>	<u>\$ 644,266</u>	<u>\$ 4,007,560</u>
\$ 4,728	\$ 5,490	\$ 166,067
37,841	55,204	205,138
27,332	17,893	231,442
15,322	550,000	565,691
772,575	-	1,035,112
42,653	15,679	311,272
-	-	30,330
<u>900,451</u>	<u>644,266</u>	<u>2,545,052</u>
11,020	8,080	153,224
(11,020)	(8,080)	1,309,284
-	-	1,462,508
<u>\$ 900,451</u>	<u>\$ 644,266</u>	<u>\$ 4,007,560</u>

**South Central Human Resource Agency
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the Year Ended June 30, 2018**

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

Total fund balance - governmental funds	\$	1,462,508
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Cost of capital assets	\$	4,171,835
Accumulated depreciation		(1,730,641)
		2,441,194

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

Deferred inflows related to pension	(394)	(394)
-------------------------------------	-------	-------

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

Note payable	(90,565)	
Capital lease obligation	(53,244)	
Net pension asset	1,995,505	1,851,696

Net position of governmental activities	\$	5,755,004
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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 –
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Children's Services Fund	Nutrition Fund
Revenues			
Grantor contributions	\$ 145,890	\$ 10,906,183	\$ 545,530
Performance based income	-	-	747,681
Program income	1,631,856	-	1,234,044
State and local contributions	83,958	50,814	-
Other income	299,070	-	10,525
Total revenues	2,160,774	10,956,997	2,537,780
Expenditures			
Salaries	766,479	4,977,782	549,207
Fringe benefits	317,617	2,260,731	200,707
Participant costs	7,482	45,138	2,196
Food	14,705	396,424	1,482,646
Indirect costs	8,824	805,931	119,301
Contract services	-	387,014	-
Insurance and bonding	41,738	21,481	10,357
Maintenance and repairs	111,317	135,134	12,253
Nonexpendable supplies	6,953	4,036	-
Office supplies	17,933	8,476	1,325
Other	315,533	298,631	2,076
Postage	4,314	5,239	788
Printing and duplication	3,892	266	1,329
Professional services	129,186	367,879	5,124
Program supplies	11,641	212,215	34,258
Renovations	28,392	-	-
Rent and leases	106,494	460,655	43,510
Telephone	10,181	104,244	3,511
Transportation	6,852	13,187	19,303
Travel - in area	2,469	86,473	17,597
Travel - out of area	53,007	84,811	2,145
Utilities	56,666	153,027	27,501
Vehicles and equipment	139,834	128,223	2,646
Total expenditures	2,161,509	10,956,997	2,537,780
Excess of revenues over expenditures	(735)	-	-
Other Financing Sources (Uses)			
Proceeds from capital lease obligation	178,199	-	-
Net change in fund balances	177,464	-	-
Fund Balances - beginning	1,285,044	-	-
Fund Balances - ending	\$ 1,462,508	\$ -	\$ -

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

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 7,447,333	\$ 1,669,067	\$ 20,714,003
279,850	-	1,027,531
-	29,086	2,894,986
-	34,853	169,625
121,598	2,480	433,673
7,848,781	1,735,486	25,239,818
987,993	493,215	7,774,676
384,067	346,020	3,509,142
3,446,761	595,405	4,096,982
3,165	732	1,897,672
256,567	76,531	1,267,154
60,584	-	447,598
15,197	5,090	93,863
4,991	1,829	265,524
493	676	12,158
7,264	5,260	40,258
2,384,814	15,094	3,016,148
12,295	1,447	24,083
7,023	1,135	13,645
28,243	383	530,815
55,049	32,699	345,862
-	-	28,392
105,878	59,828	776,365
20,520	13,979	152,435
6,090	5,045	50,477
20,259	3,761	130,559
15,272	47,237	202,472
9,667	3,180	250,041
16,589	26,940	314,232
7,848,781	1,735,486	25,240,553
-	-	(735)
-	-	178,199
-	-	177,464
-	-	1,285,044
\$ -	\$ -	\$ 1,462,508

**South Central Human Resource Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2018**

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

Total net change in fund balance - governmental funds	\$	177,464
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.</p>		
Capital outlay	567,384	
Depreciation expense	(202,026)	365,358
<hr/>		
Negative pension expense in the statement of activities which does not require current financial resources is not reposted as an expenditure in governmental funds	128,709	128,709
<hr/>		
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities</p>		
Proceeds from capital lease obligations	(178,199)	
Principal payments on capital lease obligation	52,789	(125,410)
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Change in net position of governmental activities	\$	546,121
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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
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 145,890	\$ 145,890	\$ 145,890	\$ -
Program income	1,651,098	1,651,098	1,631,856	(19,242)
State and local contributions	58,000	58,000	83,958	25,958
Other income	32,500	32,500	299,070	266,570
Total revenues	1,887,488	1,887,488	2,160,774	273,286
Expenditures				
Salaries	768,147	768,147	766,479	1,668
Fringe benefits	317,986	317,986	317,617	369
Participant costs	4,165	4,165	7,482	(3,317)
Food	16,000	16,000	14,705	1,295
Indirect costs	150	150	8,824	(8,674)
Insurance and bonding	42,466	42,466	41,738	728
Maintenance and repairs	81,140	81,140	111,317	(30,177)
Nonexpendable supplies	11,900	11,900	6,953	4,947
Office supplies	17,200	17,200	17,933	(733)
Other	39,345	39,345	315,533	(276,188)
Postage	3,900	3,900	4,314	(414)
Printing and duplication	3,800	3,800	3,892	(92)
Professional services	133,395	133,395	129,186	4,209
Program supplies	64,160	64,160	11,641	52,519
Renovations	33,000	33,000	28,392	4,608
Rent and leases	103,150	103,150	106,494	(3,344)
Telephone	10,250	10,250	10,181	69
Transportation	6,550	6,550	6,852	(302)
Travel - in area	2,900	2,900	2,469	431
Travel - out of area	54,215	54,215	53,007	1,208
Utilities	60,460	60,460	56,666	3,794
Vehicles and equipment	69,700	69,700	139,834	(70,134)
Total expenditures	1,843,979	1,843,979	2,161,509	(317,530)
Excess of revenues over expenditures	43,509	43,509	(735)	(44,244)
Other Financing Sources (Uses)				
Proceeds from capital lease obligation	-	-	178,199	178,199
Net change in fund balances	43,509	43,509	177,464	133,955
Fund Balances - beginning	1,285,044	1,285,044	1,285,044	-
Fund Balances - ending	\$ 1,328,553	\$ 1,328,553	\$ 1,462,508	\$ 133,955

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
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 11,125,285	\$ 11,125,285	\$ 10,906,183	\$ (219,102)
State and local contributions	-	-	50,814	50,814
Total revenues	11,125,285	11,125,285	10,956,997	(168,288)
Expenditures				
Salaries	5,307,836	5,307,836	4,977,782	330,054
Fringe benefits	1,821,851	1,821,851	2,260,731	(438,880)
Participant costs	34,260	34,260	45,138	(10,878)
Food	449,138	449,138	396,424	52,714
Indirect costs	-	-	805,931	(805,931)
Contract services	401,000	401,000	387,014	13,986
Insurance and bonding	29,968	29,968	21,481	8,487
Maintenance and repairs	80,040	80,040	135,134	(55,094)
Nonexpendable supplies	4,017	4,017	4,036	(19)
Office supplies	7,333	7,333	8,476	(1,143)
Other	41,854	41,854	298,631	(256,777)
Postage	5,913	5,913	5,239	674
Printing and duplication	9,795	9,795	266	9,529
Professional services	303,865	303,865	367,879	(64,014)
Program supplies	203,270	203,270	212,215	(8,945)
Rent and leases	317,899	317,899	460,655	(142,756)
Telephone	94,448	94,448	104,244	(9,796)
Transportation	10,167	10,167	13,187	(3,020)
Travel - in area	60,050	60,050	86,473	(26,423)
Travel - out of area	91,717	91,717	84,811	6,906
Utilities	114,233	114,233	153,027	(38,794)
Vehicles and equipment	67,500	67,500	128,223	(60,723)
Total expenditures	9,456,154	9,456,154	10,956,997	(1,500,843)
Excess of revenues over expenditures	1,669,131	1,669,131	-	1,669,131
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ 1,669,131	\$ 1,669,131	\$ -	\$ 1,669,131

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
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 546,100	\$ 546,100	\$ 545,530	\$ (570)
Performance based income	770,928	770,928	747,681	(23,247)
Program income	1,293,702	1,293,702	1,234,044	(59,658)
Other income	9,000	9,000	10,525	1,525
Total revenues	2,619,730	2,619,730	2,537,780	(81,950)
Expenditures				
Salaries	608,362	608,362	549,207	59,155
Fringe benefits	228,534	228,534	200,707	27,827
Participant costs	2,892	2,892	2,196	696
Food	1,534,000	1,534,000	1,482,646	51,354
Indirect costs	-	-	119,301	(119,301)
Insurance and bonding	10,554	10,554	10,357	197
Maintenance and repairs	15,700	15,700	12,253	3,447
Nonexpendable supplies	1,300	1,300	-	1,300
Office supplies	1,420	1,420	1,325	95
Other	2,015	2,015	2,076	(61)
Postage	975	975	788	187
Printing and duplication	420	420	1,329	(909)
Professional services	4,730	4,730	5,124	(394)
Program supplies	37,984	37,984	34,258	3,726
Rent and leases	46,530	46,530	43,510	3,020
Telephone	3,960	3,960	3,511	449
Transportation	20,100	20,100	19,303	797
Travel - in area	21,668	21,668	17,597	4,071
Travel - out of area	2,868	2,868	2,145	723
Utilities	27,600	27,600	27,501	99
Vehicles and equipment	-	-	2,646	(2,646)
Total expenditures	2,571,612	2,571,612	2,537,780	33,832
Excess of revenues over expenditures	48,118	48,118	-	48,118
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ 48,118	\$ 48,118	\$ -	\$ 48,118

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
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 5,526,886	\$ 5,526,886	\$ 7,447,333	\$ 1,920,447
Performance based income	333,348	333,348	279,850	(53,498)
State and local contributions	25,000	25,000	-	(25,000)
Other income	113,160	113,160	121,598	8,438
Total revenues	5,998,394	5,998,394	7,848,781	1,850,387
Expenditures				
Salaries	954,856	954,856	987,993	(33,137)
Fringe benefits	348,465	348,465	384,067	(35,602)
Participant costs	3,312,488	3,312,488	3,446,761	(134,273)
Food	4,250	4,250	3,165	1,085
Indirect costs	-	-	256,567	(256,567)
Contract services	74,542	74,542	60,584	13,958
Insurance and bonding	17,226	17,226	15,197	2,029
Maintenance and repairs	8,147	8,147	4,991	3,156
Nonexpendable supplies	2,298	2,298	493	1,805
Office supplies	19,561	19,561	7,264	12,297
Other	26,993	26,993	2,384,814	(2,357,821)
Postage	14,988	14,988	12,295	2,693
Printing and duplication	6,203	6,203	7,023	(820)
Professional services	41,022	41,022	28,243	12,779
Program supplies	32,534	32,534	55,049	(22,515)
Rent and leases	94,167	94,167	105,878	(11,711)
Telephone	16,846	16,846	20,520	(3,674)
Transportation	10,025	10,025	6,090	3,935
Travel - in area	24,199	24,199	20,259	3,940
Travel - out of area	30,450	30,450	15,272	15,178
Utilities	9,325	9,325	9,667	(342)
Vehicles and equipment	15,525	15,525	16,589	(1,064)
Total expenditures	5,064,110	5,064,110	7,848,781	(2,784,672)
Excess of revenues over expenditures	934,284	934,284	-	934,284
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ 934,284	\$ 934,284	\$ -	\$ 934,284

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

**South Central Human Resource Agency
Notes to Financial Statements
For the Year Ended June 30, 2018**

NOTE

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

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

South Central Human Resource Agency (the Agency) was formed on July 11, 1973 in accordance with the *Human Resource Agency Act of 1973*. This legislation established four metropolitan and up to nine rural human resource agencies to deliver human resource programs across the State of Tennessee. The Agency was chartered as a public non-profit corporation on February 19, 1975. The Agency delivers a variety of programs to economically disadvantaged, elderly, and disabled individuals in 13 counties of south central Tennessee: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The Agency is governed by a 64-member Governing Board. The Governing Board consists of the county mayor of each county, the mayor of each municipality, thirteen community representatives, and one state senator and one state representative whose district lies within the area served by the Agency.

Basis of Presentation, Basis of Accounting

Basis of Presentation

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

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

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency reports the following major governmental funds:

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

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

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

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

The Agency’s fund balance is reported in two parts: nonspendable and unassigned. The Agency’s nonspendable fund balance consists of the amount spent on inventories of kitchen supplies and prepaid expenses. The Agency has no restricted fund balance as of June 30, 2018.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental Fund Financial Statements: The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e. when they are “measurable” and “available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay the liabilities of the current period.

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds.

The Agency generally considers all revenues available if they are collected within 60 days after year-end. Grant funds received by the Agency before it has a legal claim to them, such as advances, or prior to the incurrence of qualifying expenditures, are reported as liabilities. The liability is removed and revenue is recognized in subsequent periods once the revenue recognition criteria are met and the Agency has a legal claim to the resources.

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

Cash and Cash Equivalents

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

Receivables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Loans and Transfers

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

Restricted Assets

Restricted assets at June 30, 2018 consist of cash and cash equivalents which are restricted by the types of expenditures allowed per the grantor and inventory of food commodities.

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Long-Term Obligations

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

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

Compensated Absences

Annual leave is expensed during the period in which it is earned. Eligible full time employees who have been employed by the Agency for up to five years accrue 1 day of vacation per month. Eligible full time employees with more than five years of service with the Agency accrue 1 1/2 days of vacation per month. These employees may carry over up to 225 hours (30 days) of accrued vacation leave from the preceding fiscal year. Any vacation leave accrued in excess of 225 hours may be transferred to sick leave to the extent that sick leave is not maximized. The liability for accrued leave recognized in the financial statements represents accrued vacation leave for all eligible employees as of June 30, 2018.

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, 2018.

Deferred Outflows/Inflows of Resources

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

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Equity

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

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

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

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

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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

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

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

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

Unassigned – All other spendable amounts.

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balances at June 30, 2018 are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid expenses	\$ 60,647	\$ 39,293	\$ 3,272	\$ 11,020	\$ 8,080	\$ 122,312
Food Service Inventory	-	-	29,215	-	-	29,215
Ensure Inventory	-	-	1,697	-	-	1,697
Unassigned	1,401,861	(39,293)	(34,184)	(11,020)	(8,080)	1,309,284
	<u>\$ 1,462,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,462,508</u>

Management Estimates and Assumptions

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

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Impact of Recently Issued Accounting Pronouncements

In Fiscal Year 2018, the Agency adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81)
- GASB Statement No. 85, *Omnibus 2017* (GASB 85)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86)

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple-Employer Plans*. For

South Central Human Resource Agency Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information are addressed. The adoption of GASB 75 has no impact on the Agency's governmental fund financial statements.

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the Agency's financial statement as a result of the implementation of GASB 81.

GASB 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The adoption of GASB 85 had no impact on the Agency's current accounting practices nor its financial reporting.

GASB 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the (Agency's financial statements as a result of the implementation of GASB 86.

Pronouncements Issued But Not Yet Effective

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

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	2019
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2020

South Central Human Resource Agency Notes to Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

Amendments are approved throughout the year as needed.

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Risks

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits (including the certificate of deposit) may not be returned to it. The Agency minimizes this risk by requiring full collateralization on all demand deposit accounts in excess of federally insured limits except when the institution belongs to the State of Tennessee Bank Collateral Pool (the "Pool"). Banks participating in the Pool determine the aggregate balance of their public fund accounts for the Agency. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the Pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the Pool may also be required by agreement to pay an assessment to cover any deficiency. Consequently, public fund accounts covered by the Pool are considered to be fully insured for purposes of credit risk disclosure. At June 30, 2018, the carrying amount of the Agency's deposits, including the certificate of deposit, was \$1,525,692, which were fully insured or collateralized.

NOTE 4 – RECEIVABLES

Receivables from grantor agencies and others included on the accompanying financial statements as of June 30, 2018, are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Government	Total
Tennessee Housing Development	\$ -	\$ -	\$ -	\$ 361,587	\$ -	\$ 361,587
Tennessee Dept of Human Svs	4,304	-	-	178,814	-	183,118
Senior Service America, Inc.	-	-	-	-	47,387	47,387
St of TN Dept of Agriculture	-	-	-	12,026	-	12,026
U.S. Dept of Health and Human Services	-	268,893	-	23,090	-	291,983
Other	13,147	253	10,199	-	-	23,599
South Central TN Development District	-	-	92,835	-	-	92,835

-Continued-

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

NOTE 4 – RECEIVABLES (Continued)

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Government	Total
Office of Criminal Justice						
Programs (JAG)	-	-	-	-	20,779	20,779
St of TN Dept. of Mental Health & Substance Abuse Services	-	-	-	-	34,216	34,216
St of Tennessee Dept of Corrections	-	-	-	-	68,820	68,820
Corporation for National and Community Service	-	-	-	-	34,570	34,570
Total receivables	\$ 17,451	\$ 269,146	\$ 103,034	\$ 575,517	\$ 205,772	\$ 1,170,920

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

NOTE 5 – INTERFUND ACTIVITY

Due to/from other funds at June 30, 2018 consisted of the following amounts:

Due to	Due from				Total
	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Governmental Funds	
General	\$ (133,662)	\$ (128,875)	\$ (772,575)	\$ 422,889	\$ (612,223)

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

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 25,000	\$ 7,300	\$ -	\$ 32,300
Capital assets being depreciated:				
Buildings and improvements	2,392,129	382,674	-	2,774,803
Vehicles	937,111	165,305	35,847	1,066,569
Equipment	339,182	12,105	53,124	298,163
Total capital assets being depreciated	3,668,422	560,084	88,971	4,139,535
Less accumulated depreciation for:				
Buildings and improvements	723,784	93,054	-	816,838
Vehicles	585,506	95,381	35,848	645,039
Equipment	307,881	13,591	52,708	268,764
Total accumulated depreciation	1,617,171	202,026	88,556	1,730,641
Total capital assets being depreciated, net	2,051,251	358,058	415	2,408,894
Total governmental activities capital assets, net	\$ 2,076,251	\$ 365,358	\$ 415	\$ 2,441,194

NOTE 7 – LEASE AGREEMENTS

The Agency leases real estate, vehicles, and equipment for operation of its programs. Rent for the year ended June 30, 2018 totaled \$776,365 including allocated building costs of \$265,407. The Agency's leases are generally cancelable with thirty days notice in the event that the Agency loses federal or state funding for any program which utilizes leased property.

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

NOTE 8 – LONG-TERM DEBT

During the year ended June 30, 2018, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance July 1, 2017	Proceeds	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Compensated Absences:					
General Fund	\$ 44,491	\$ 40,294	\$ 25,708	\$ 59,077	\$ -
Children's Services	129,488	261,684	248,143	143,029	-
Nutrition	55,283	28,872	33,321	50,834	-
Community Services	39,988	51,939	49,274	42,653	-
Other Governmental	11,505	25,929	21,755	15,679	-
Total	280,755	408,718	378,201	311,272	-
Capital lease obligations:					
Capital lease obligation	18,419	-	3,883	14,536	4,000
Phone lease	-	48,199	9,491	38,708	19,282
Total	18,419	83,199	48,374	53,244	23,282
Notes Payable:					
Maintenance Truck	-	35,000	35,000	-	-
Bathroom renovations	-	95,000	4,435	90,565	18,052
Total	-	130,000	39,435	90,565	18,052
Total Long-Term Liabilities	\$ 299,174	\$ 621,917	\$ 466,010	\$ 455,081	\$ 41,334

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

The maturity schedule for the capital lease obligation is as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 4,000	\$ 379
2020	4,121	258
2021	4,245	134
2022	2,170	19
	\$ 14,536	\$ 790

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

NOTE 8 – LONG-TERM DEBT (Continued)

In March 2018, the Agency entered into a sixty month agreement with First National Bank for a new maintenance truck. The note has an implicit interest rate of 2.95% and calls for monthly payments of \$629. Note payments are made by the General Fund. During the year the note was paid off by the Agency.

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

The maturity schedule for the bathroom renovation note payable is as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 18,052	\$ 2,429
2020	18,592	1,889
2021	19,148	1,333
2022	19,721	761
2023	15,051	184
	\$ 90,565	\$ 6,597

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

Fiscal Year Ending June 30,	Principal
2019	\$ 19,282
2020	19,282
2021	144
	\$ 38,708

NOTE 9 – DEFERRED CONTRIBUTION PLANS

State of Tennessee 401(k) Retirement Funds

The Agency has adopted the Section 401(k) Cash or Deferred State of Tennessee Deferred Compensation Plan II ("401 (k)") administered by the State of Tennessee Treasurer effective July 1, 2017. Employees are eligible to participate in the 401(k) on the first day of employment. Employee contributions in any taxable year are also subject to certain statutory limitations. Employees may also contribute amounts representing distributions from other qualified defined benefit or contribution plans ("rollovers"). Employee contributions are invested in the participant's individual account after each payroll period and are fully vested in one year. The Agency matches employees

South Central Human Resource Agency Notes to Financial Statements

NOTE 9 – DEFERRED CONTRIBUTION PLANS (Continued)

who contribute at least 5%. The employer match is based on years of service, employees with 6 months – 15 years' service are eligible for a 5% match and employees with 15 years plus service are eligible for an 8% match. Employee contributions to the 401(k) totaled \$323,317 for the year ended June 30, 2018.

State of Tennessee 457(b) Retirement Funds

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

NOTE 10 – EMPLOYEE RETIREMENT PLAN

Summary of Significant Accounting Policies for the Pension Plan

Pensions. 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.

General Information about the Pension Plan

Plan description. Ten inactive employees (or beneficiaries) 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 Tennessee Consolidated Retirement System.

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

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

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

Employees Covered - The Agency withdrew from participation in the TCRS effective June 30, 1984. Employees who were members in the pension plan at the time the withdrawal became effective were given 30 days to elect to withdraw from the pension plan and receive a refund of their accumulated contributions. Any member who elected not to withdraw is entitled to benefits according to the pension plan as it existed on the date of withdrawal. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u style="border-top: 1px solid black;">-</u>
	<u style="border-top: 3px double black;">10</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. For the year ended June 30, 2018, no employee contributions were made to the pension plan for the inactive employees. 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, 2018, the Actuarially Determined Contribution (ADC) for the Agency was \$0 based on a rate of 0.0% covered payroll. The Agency’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.

South Central Human Resource Agency Notes to Financial Statements

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

Net Pension Asset

The Agency's net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

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

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

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

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

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Position
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 158,400	\$ 1,958,959	\$ (1,800,559)
Changes for the year:			
Service cost	414	-	414
Interest	11,534	-	11,534
Differences between expected and actual experience	12,031	-	12,031
Changes in assumptions	2,470	-	2,470
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	221,395	(221,395)
Benefit payments, including refunds of employee contributions	(10,047)	(10,047)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	16,402	211,348	(194,946)
Balances at June 30, 2017	\$ 174,802	\$ 2,170,307	\$ (1,995,505)

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

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Agency's net pension liability	\$ (1,973,828)	\$ (1,995,505)	\$ (2,013,332)

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

Negative pension expense. For the year ended June 30, 2018, the Agency recognized negative pension expense of \$129,103.

Deferred outflows and deferred inflows or resources. For the year ended June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	394
Employer contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 394

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 34,980	\$ (43,987)
2020	34,980	(14,970)
2021	18,538	(14,970)
2022	-	(14,970)
2023	-	-
Thereafter	-	-

On January 31, 2017, the Board approved a resolution to rejoin the Tennessee Consolidated Retirement System (“TCRS”), a defined benefit multiple-employer pension plan. The effective date of the Agency’s reentrance into TCRS is July 1, 2017. Due to the Agency reentering TCRA after its actuarial valuation date of June 30, 2016, the information necessary to record the net pension liability, deferred inflows and outflows of resources, the actuarially determined pension expense and certain required disclosures in accordance with the provisions of GASB Statement 68 is not available as of June 30, 2018.

NOTE 11 – 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

South Central Human Resource Agency Notes to Financial Statements

NOTE 11 – RISK MANAGEMENT

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 12 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 13 – RELATED PARTIES

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

NOTE 14 – SUBSEQUENT EVENTS

The Council has evaluated events through January 28, 2019, the date the financial statements were available to be issued, and there were none to disclose.

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

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

Note: This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

<i>June 30,</i>	2018	2017	2016	2015	2014
Actuarially determined contribution*	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll**	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Actuarially determined contribution rates as of June 30, 2018 are based on the results of the June 30, 2016 actuarial valuation. Detailed below are the methods and assumptions used in the June 30, 2016 actuarial valuation.

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method value	10- year smoothed within a 20 percent corridor to market
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5%, net investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actuarial experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5%

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
South Central Human Resource Agency
Fayetteville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report dated thereon January 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

Enterprise, Alabama

January 28, 2019

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

Board of Directors
South Central Human Resource Agency
Fayetteville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited South Central Human Resource Agency's (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal programs for the year ended June 30, 2018. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of South Central Human Resource Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

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

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

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

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

Enterprise, Alabama

January 28, 2019

**South Central Human Resource Agency
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct programs:				
Head Start	93.600	O4CH465005	\$ -	\$ 7,943,544
Head Start	93.600	O4HP001703	-	2,114,500
Head Start	93.600	O4HP001702	-	395,001
Total direct programs/Subtotal for 93.600				- 10,453,045
Passed through Tennessee Housing Development Agency				
Low-Income Home Energy Assistance	93.568	LIHEAP-17-15	-	3,383,761
Low-Income Home Energy Assistance	93.568	LWx-16-11	-	18,674
Low-Income Home Energy Assistance	93.568	LWx-17-11	-	177,160
Subtotal for 93.568				- 3,579,595
Passed through the State of Tennessee Department of Human Services				
Community Services Block Grant	93.569	Z-18-49116	-	684,488
Community Services Block Grant	93.569	Z-18-49116A	-	250,993
Subtotal for 93.569				935,481
Social Services Block Grant	93.667	Z-18-49316	-	206,253
Social Services Block Grant	93.667	Z-18-49316A	-	15,939
Subtotal for 93.667				222,192
Passed through South Central Tennessee Development District				
Special Programs for the Aging - Title III, Part C -				
Nutrition Services *	93.053	06-2018-04	-	477,330
Nutrition Services Incentive Program*	93.053	06-2018-14	-	68,200
Total Aging Cluster				- 545,530
Total pass-through				5,282,798
Total U.S. Department of Health and Human Services				15,735,843
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	-	453,139
Emergency Food Assistance Program (Administrative Costs)***	10.568	62671	-	42,015
Emergency Food Assistance Program (Administrative Costs)***	10.568	66725	-	56,905
Subtotal for 10.568				- 98,920

-Continued-

See accompanying notes to Schedule of Expenditures of Federal Awards.

**South Central Human Resource Agency
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
Emergency Food Assistance Program (Food Commodities)***(n)	10.569	N/A	-	275,693
Total Food Distribution Cluster				374,613
Total U.S. Department of Agriculture				827,752
Corporation for National and Community Service				
Direct Program				
Retired Senior Volunteer Program	94.002	15SRSTN005	-	32,100
Foster Grandparent Program**	94.011	17SFSTN003	-	266,462
Total Corportation for National and Community Service				298,562
U.S. Department of Labor				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	AD-30457-17-55-A-24	-	669,769
U.S. Department of Energy				
Passed through Tennessee Housing Development Agency				
Weatherization Assistance for Low-Income Persons	81.042	WAP-17-11	-	198,603
Total expenditures of federal awards			\$ -	\$ 17,730,529

State Grantor/Program Title	CSFA No.	Number	Passed Through to Subrecipients	Expenditures
State of Tennessee Department of Human Services	N/A	Direct Appropriation	\$ -	\$ 145,890
State of Tennessee Department of Corrections	N/A	41931	-	527,103
Office of Criminal Justice Programs (JAG)	16.738	N/A	-	65,956
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lincoln)	N/A	56198	-	70,905
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lawrence)	N/A	56334	-	69,981
Total Expenditures of State Financial Assistance			\$ -	\$ 879,835

* Aging Cluster

**Foster Grandparent/Senior Companion Cluster

***Food Distribution Cluster

(n) Non-cash assistance

See accompanying notes to Schedule of Expenditures of Federal Awards.

South Central Human Resource Agency Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) summarizes the federal expenditures of the Agency under programs of the federal government for the year ended June 30, 2018. The amounts reported as federal expenditures were obtained from the Agency's general ledger. Because the SEFA presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position and changes in net position of the Agency.

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

Aging Cluster

This cluster included awards that assist agencies on aging in facilitating the development and implementation of a comprehensive, coordinated system for providing long-term care in home and community-based settings, in a manner responsive to the needs and preferences of older individuals and their family caregivers.

Food Distribution Cluster

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

Foster Grandparent/Senior Companion Cluster

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

NOTE 2 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

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

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



South Central Human Resource Agency Notes to Schedule of Expenditures of Federal Awards

NOTE 3 – FEDERAL PASS-THROUGH FUNDS

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

NOTE 4 – BASIS OF ACCOUNTING

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

NOTE 5 – INDIRECT COST

The Agency has not elected to use the 10% de Minimis cost rate for the year ended June 30, 2018.

NOTE 6 – CONTINGENCIES

Grant monies received and disbursed by the Agency are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Council does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of June 30, 2018, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE 7 – NONCASH ASSISTANCE

Food commodities are expended when the food is distributed. The amount expended is based on food commodity values provided by the State of Tennessee, Department of Agriculture. At June 30, 2018, the Agency had food commodities totaling \$122,612 in inventory.

NOTE 8 – SUBRECIPIENTS

The Agency did not provide federal funds to subrecipients for the fiscal year ending June 30, 2018.

NOTE 9 – LOANS AND LOAN GUARANTEES

The Agency did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ending June 30, 2018.



**South Central Human Resource Agency
Notes to Schedule of Expenditures of Federal Awards**

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, 2018.

**South Central Human Resource Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Part 200.516(a)? _____ yes X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.568	Low-Income Home Energy Assistance
93.569	Community Services Block Grant
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statements Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.