

**South Central Human
Resource Agency**

FINANCIAL STATEMENTS

June 30, 2020



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

South Central Human Resource Agency
Table of Contents
June 30, 2020

	Page
FINANCIAL SECTION	
Independent Auditors’ Report.....	1
Management’s Discussion and Analysis (MD&A)	4
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position.....	17
Statement of Activities.....	18
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Children’s Services Fund	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nutrition Fund.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Services Fund	26
Notes to Financial Statements.....	27
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset)	47
Schedule of Employer Contributions	48
Other Supplementary Information	
Combining Balance Sheet – Non-major Governmental Funds	49

South Central Human Resource Agency
Table of Contents
June 30, 2020

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non- Major Governmental Funds	50
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Senior Services Fund.....	51
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Justice Services Fund	52
Reports on Internal Control and Compliance Matters	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	55
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	57
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	59
Schedule of Findings and Questioned Costs	62
Summary Schedule of Prior Audit Findings for Federal Awards and State Financial Assistance	63



Carr, Riggs & Ingram, LLC

1117 Boll Weevil Circle

Enterprise, AL 36330

(334) 347-0088

(334) 347-7650 (fax)

www.cricpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
South Central Human Resource Agency
Fayetteville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Children's Services Fund, the Nutrition Fund, and the Community Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 16, schedule of changes in net pension liability (asset) and schedule of employer contributions are presented to supplement the basic financial statements on pages 47 and 48. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget and actual for the Senior Services Fund and the Justice Services Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget and actual for the Senior Services Fund and the Justice Services Fund and schedule of expenditures of federal awards and state financial assistance is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has

been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget and actual for the Senior Services Fund and the Justice Services Fund and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 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 15, 2021

Management's Discussion and Analysis

This discussion is intended to present a broad view of South Central Human Resource Agency's ("SCHRA" or the "Agency") financial position and activities for the fiscal year ended June 30, 2020. 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 the Agency.

Mission Statement

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

Agency Overview

The Agency was created July 11, 1973 and chartered as a public non-profit corporation 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 2020, SCHRA had in place 13 Neighborhood Service Centers, 9 American Job Centers, 20 Head Start Centers, 7 Early Head Start Centers, and 20 congregate meal sites served by 2 commercial kitchens. The Senior Community Employment Program also serves clients in four additional counties: Bledsoe, Grundy, Marion, and Sequatchie. During fiscal year 2020, SCHRA delivered approximately \$30,000,000 of services and employed approximately 600 people.

Governing Bodies

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

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

Management's Discussion and Analysis

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

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

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

Agency Facility Accomplishments

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

The Agency has worked hard to adapt to meet the challenges and opportunities of our mission. We continue to work toward the goals outlined in the Agency's strategic plan with a focus on catalyzing resources and expanding services. We continue to improve the Agency's facilities and equipment. During this past fiscal year, the central office received an upgrade on the audio/visual system in the large conference room. This improvement allows for a much better training experience. The Agency also continues to replace our aging vehicle fleet. In the fall of 2019, we also worked to develop a new space for an American Jobs Center (AJC) in Coffee County. The new AJC provides a much better location and parking for clients. The new center was a much needed improvement. Additionally, we have also made repairs and maintenance at our other facilities as required by our lease agreements. This will continue to be a focus in the foreseeable future for the agency. SCHRA management has developed a guiding standard for our current and future facilities that they must be accessible, clean, crisp, and professional. We also will continue to execute preventative maintenance on our facilities. This will insure facilities are kept to the above standard.

We continue to make great strides to improve Head Start locations with safety concerns, new playgrounds and seeking better locations for our centers. The Agency received funds to construct a new Early Head Start in Bedford County. It will be completed in January 2021. We received a land donation from the City of Shelbyville for this project. We continue to work on the construction of the Early Head Start in Coffee County. This project will be completed in spring 2021.

Management's Discussion and Analysis

Program Highlights

The Agency operates a variety of programs to meet the needs of clients in its service areas. Program highlights for the Agency's most significant programs from fiscal year 2020 follow:

Covid-19 2020 Response

This past fiscal year has been both perplexing and rewarding. No one could have foreseen the challenges our Agency would face due to the pandemic outbreak of Covid-19. The repercussions of a national shutdown combined with health and safety concerns were difficult on our nation, and most particularly, our clients we serve. The Agency's response has been tempered with both concern for our clients and our staff's wellbeing. Agency staff worked quickly to reorganize personnel and resources to ensure a seamless delivery of services as was possible. With stores closed and food scarcity a concern, Agency staff quickly increased the distribution of USDA commodities. We were thankful to have many of our local and state officials come out and help us during these events.

Most of our programming has received additional funding from federal Covid-19 legislation. This translated to increased benefits for our clients but keeping health and safety at the forefront meant rethinking the way our services are delivered. Shifting our thought processes, we have learned that many of our services and processes can be accomplished remotely and electronically. The LIHEAP and CSBG funding agencies have made allowances for "no-contact" applications, which can be completed over the phone or via email. Just this week, we added an on-line application for our LIHEAP applicants. This will allow clients to apply from the comfort and safety of their homes. It will also provide greater access to those clients who may not be able to access services during our working hours. As a result of these new processes, we have seen increased productivity and output allowing us to expedite clients' services.

The Senior Nutrition program experienced significant changes when congregate sites closed due to health concerns for area seniors. Knowing this vulnerable population needed access to meals, nutrition staff started pick-up drive-through for seniors at the meal site locations. Additional funding from Covid-19 legislation allowed for the addition of over 200 home-delivered clients. To recoup lost revenue from decreased caterings, catering staff adapted from in-person events to providing box lunches to Lincoln County businesses, civic organizations, and government offices.

The work of the American Job Centers (AJC) has been crucial to our clients during this time. With the closure of many businesses as well as temporary shutdowns, we have seen unemployment increase significantly. The AJC have assisted many unemployed Tennesseans during the pandemic by certifying, training in a new skill, and securing employment. The Agency has worked hard to provide support and resources for these offices to assist the area's unemployed and displaced workers. Our desire to have an AJC in all 13 counties finally came to fruition with our Moore County office opening late this summer. Prior to the pandemic, the AJC in Lincoln County worked tirelessly to assist those affected by Goodman's closure, one of the county's oldest and largest manufacturing plants. The staff mobilized and provided services to hundreds of displaced workers through job fairs and a multitude of other agency programs. We are very proud of the partnership with the South Central Tennessee Development District in the operation of the WIOA Program. It has been a positive collaboration, and we consider it the backbone of our Agency's mission to move people from poverty to prosperity.

Management's Discussion and Analysis

The Justice Services Programs have had to be creative, given the precautions of the Covid-19 virus. It was so vital that these programs continue to provide services. Isolation and fear could very quickly have driven these individuals to relapse. The recovery courts have had drive-in sessions with participants staying in their vehicles to conduct court proceedings and ensure continued contact and monitoring. This program continues to expand across our area. Justice Services recently received funding for the creation of a felony recovery court in the 17th Judicial District. The Agency is proud to announce its first graduates from the 22nd Judicial District recovery court.

Despite the challenges, many programs saw progress with budgets this year. The Agency's Homemaker and CRPP programs both made a profit this year. Management provided a performance incentive to workers in the Homemaker Program to retain these essential employees. Additionally, the Agency had a wage compensation study conducted. The study revealed several positions that were considered below the minimum, and the Board authorized adjustments for these positions. The Board also developed a wage guidance for management to review positions within the Agency based on performance and budget. The compensation philosophy of the Agency should be to move employees to the mid-point of the compensation scale. Compensation changes will depend on budget constraints and budget forecasts.

We continue to work toward improving our Head Start program and facility needs. The Agency received funding for a new construction build in Bedford County. The new Wallace Cartwright Early Head Start facility is scheduled for completion this December 2020. We also received funding for a new Early Head Start facility in Coffee County. The facility bid was within budget with grant funds, and the Agency is happy to report that no additional loan funds will be needed. It is with great pleasure that we will be naming this Early Head Start facility after our dear friend and great supporter, the late Mayor Lonnie Norman, who was instrumental in securing the facility's property. His loss will certainly be felt by our Agency.

In September, senior staff, our Board Chair, and I conducted a meeting to review our three-year strategic plan. The Agency will continue to focus on infrastructure and seek a new location for the Neighborhood Service Center/American Jobs Center in Marshall County. The shifting of resources to deal with the pandemic has slowed our goals with WIOA integration, enhanced data tracking system, and media outreach to highlight our programs. We have pushed these goals out to address the changing status of the pandemic. However, we intend to make gradual gains with these remaining items in the coming year.

Though this year has been challenging, it has been fulfilling to witness the staff's hard work and willingness to do what it takes to help our communities.

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

Management's Discussion and Analysis

services are education, medical and dental services, mental health, nutrition, parent involvement, family services, special needs services and family literacy. Children in the program were proficient in the categories of mathematics, language, cognitive skills, literacy, and social emotional skills. The percentages ranged from 90-95%. Ten percent of our enrollment is mandated to serve children with disabilities. Our program ensured that age-appropriate health services were provided to 946 enrolled and/or terminated children, with 78% receiving age appropriate preventive dental services, and 25 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 ITTERS-R to monitor learning environments and teaching practices. Along with establishing school readiness goals for the children, we acknowledge that parents are their child's first educators and will continue to be throughout their child's educational career. There were numerous parents and community volunteers who provided services to our program throughout all 13 of our counties. Head Start facility improvements continue to be a major focus of SCHRA. Several Head Start locations received new tricycle paths and shade structures during this last year. Additionally, facilities received safety improvements with video cameras and physical barriers around playgrounds. The Agency has also implemented Adverse Childhood Experience training within the Head Start Program. The program is centered on a known curriculum called Trauma Smart. The results and outcomes are making an impact within our Agency.

Low-Income Home Energy Assistance Program

The Low-Income Home Energy Assistance Program ("LIHEAP") is funded by the Tennessee Housing Development Agency ("THDA"). This program provides assistance to elderly, handicapped, and low-income persons with energy used to heat their homes through financial assistance to offset a portion of the cost. Priority for assistance is given to lowest of income. Priority points are used to determine the amount of assistance which ranges from \$300 to \$650. Energy and crisis assistance is provided to eligible households through direct payment to a utility or propane company. During fiscal year 2020, a total of 5,142 households received assistance. The total amount funded for FY 2020 was \$2,337,432.

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 2020, a total of 60,745 congregate meals were served and 85,633 home delivered meals were served. 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 14,645 meals, Family Caregiver provided 1,221 meals and Long Term Care Choices provided 24,082 meals.

Management's Discussion and Analysis

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 2020, 369 clients were assisted in 29 Tennessee counties and 7 other states. Benefits overseen on behalf of clients for the year totaled \$5,142,715.

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 2020, these kitchens supplied 186,326 meals for the Agency's Senior Nutrition Program.

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 2020 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. 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 2020, the CSBG Program served 3,013 unduplicated households with 7,062 individuals.

Senior Community Service Employment Program

The Senior Community Service Employment ("Title V") Program, funded by Senior Service America, Inc. ("SSAI"), is designed to assist economically disadvantaged people age 55 and over by providing immediate supplemental income, work experience and training at an approved training site, with an immediate goal of more permanent, unsubsidized employment. The Title V Program is also dedicated to strengthening families, communities, and the nation by providing older and disadvantaged individuals with opportunities to learn, work, and serve others. Clients must be age 55 or above, a legal resident of the county in which they apply, and be capable of performing tasks involved in the community service employment assigned as stated in the training site description, and must be economically disadvantaged, as determined by the currently established poverty guidelines - 125% scale. Title V clients who cannot immediately be placed into an unsubsidized job receive assistance on finding a job and/or are assigned to eligible non-profit and government

Management's Discussion and Analysis

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 2020, the Title V Program served a 12 county area with an allocated slot level of 141 clients. The Title V Program also served 4 additional counties (Bledsoe, Grundy, Marion, and Sequatchie).

Homemaker Services for the Elderly Program

The Homemaker Services for the Elderly ("Homemaker") Program, funded by the South Central TN Development District/TN Commission on Aging and Disabilities through the Older Americans Act ("SCTDD/AAAD"), provides homemaker, respite, and/or personal care services to individuals age 60 and over or adults age 18 or older who are disabled or incapacitated who wish to remain in their own homes. A plan of care related to household operations and home management for individuals eligible for the program is developed following an in-depth assessment through the SCTDD/AAAD. Without such services, they become at risk of residential or institutional care. Homemaker services involve a series of in-home contacts for the purpose of providing such services as light housekeeping, laundry, maintenance, household business, care and referral to other resources where appropriate. During fiscal year 2020, a total of 2,356.5 units of service were provided by the Homemaker Program. Additionally, funding through the State of Tennessee Home and Community Based Program (Options), the Family Caregiver Program and the Statewide Long Term Care Choices Program (AmeriGroup, AmeriChoice and Blue Care) provides for homemaker and personal care assistance and respite sitter service to the frail elderly and adults with disabilities. During fiscal year 2020, Options provided 3,556 units of service, Family Caregiver provided 2,019 units of service, and Long Term Care Choices provided 6,147 units of service. These services were delivered to 110 clients.

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 2020, the Program served 501 clients who paid \$17,134 in victim restitution, \$7,146.85 in child support, and worked 6,266 hours of community service.

Foster Grandparent Program

The Foster Grandparent Program, funded by the Corporation for National Service, provides stipend volunteer opportunities for limited income persons age 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

Management's Discussion and Analysis

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 2020, services were provided for 154 "at risk" children by 38 Foster Grandparents.

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

The SSBG/Protective Service Homemaker Program, funded by Tennessee Dept. of Human Services, provides supportive services to adults (Adult Protective Services (APS) cases) who have been threatened with abuse, neglect, or exploitation and require assistance to prevent this from occurring. Services focus on activities which the client can no longer do for themselves and which are necessary for the person to remain at home, including emotional support and encouragement during periods of loneliness and depression. Services are directed at teaching homemaking and daily living skills to these individuals. Eligibility is determined by the DHS caseworker. Need is established when an individual or family is experiencing a specific personal or social problem for which homemaker services are deemed appropriate. During fiscal year 2020, a total of 112 clients were served.

Weatherization Assistance Program

The Weatherization Assistance Program ("WAP"), funded by the Tennessee Housing Development Agency ("TDHA"), strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by TDHA to qualified housing units. Eligibility guidelines for this funding allow households of up to 200% of 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 2020, 23 homes were weatherized at a funding level of \$226,986.

Workforce Innovative and Opportunity Act

The Workforce Innovative and Opportunity Act ("WIOA"), funded by the South Central Tennessee Development District, is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers the need to compete in the global economy. The American Job Centers provide a full range of programs, seminars, and workshops, including work skills, interviewing techniques, and resume writing. Depending on circumstances, customers may be able to get some or all of the costs of training covered by funding from the Department of Labor. During fiscal year 2020, 43 Veterans were served, 428 were in training, 183 attained credentials, 88 new enrollments, and had a total of 36,539 traffic come through the American Job Centers in our 13 county region served.

Overview of the Financial Statements

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

Management's Discussion and Analysis

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 17 and 18 provide a broad overview of the Agency's financial position and operations in a manner similar to a private-sector business. The statement of net position presents the Agency's assets and deferred outflows of resources and liabilities and deferred inflows of resources on a full accrual, economic resource basis. The difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources is reported as net position which is broken down into three parts: net investment in capital assets, restricted, and unrestricted. Net position serves as a useful indicator of the Agency's overall financial position. The statement of activities presents a comparison of expenses and revenues for each major function/program of the Agency and also reflects how the Agency's net position changed during the fiscal year. On the statement of activities, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All of the Agency's activities are considered to be governmental activities.

Fund Financial Statements

The fund financial statements on pages 19 through 26 provide information about the Agency's funds. Funds are used to maintain control over resources that are to be segregated for specific activities or purpose. Fund accounting ensures and reflects compliance with finance-related legal requirements, such as grantor provisions. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they are measurable and available and expenditures are generally recorded when the related fund liability is incurred. All of the Agency's funds are considered to be governmental funds.

Governmental Funds

Governmental funds are used to account for basic services and are reported as governmental activities in the government-wide financial statements. Differences between the Agency's government activities as reported in the statement of net position and the statement of activities and its governmental funds are identified in the reconciliations that are part of the fund financial statements.

Notes to Financial Statements

The notes to the financial statements on pages 27 through 46 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Management's Discussion and Analysis

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 47 through 48 is provided to supplement the basic financial statements.

Other Supplementary Information

The supplementary information on pages 49 through 52 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 \$19.3 million during the fiscal year. Accordingly, a Single Audit was required. The Single Audit section of the financial statements on pages 53 through 63 includes the schedule of expenditures of federal awards and state financial assistance and notes thereto, the schedule of findings and questioned costs, along with our independent 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, 2020 (as presented on page 14) with comparative data from June 30, 2019.

Management's Discussion and Analysis

Table 1
Condensed Statement of Net Position

	2020	2019
Current assets	\$ 4,807,624	\$ 2,948,399
Restricted assets	1,196,382	922,839
Net pension asset	1,924,825	1,978,114
Capital assets	2,401,949	2,455,805
Total assets	10,330,780	8,305,157
Deferred outflows of resources	698,075	939,921
Current liabilities	3,975,811	2,212,348
Note payable	-	74,110
Capital lease obligation	6,761	29,961
Total liabilities	3,982,572	2,316,419
Deferred inflows of resources	49,875	65,039
Net position:		
Net investment in capital assets	2,395,188	2,351,734
Restricted for pension benefits	1,874,950	1,913,075
Unrestricted	2,726,270	2,598,811
Total net position	\$ 6,996,408	\$ 6,863,620

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6.99 million as of June 30, 2020. The Agency's net position increased \$132,788 for the fiscal year.

The Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land) represents 34% of its net position as of June 30, 2020. 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 27% of its net position as of June 30, 2020. The Agency will use this asset to offset future employer contributions to the Public Employee Retirement Plan administered by the Tennessee Consolidate Retirement System.

Change in Net Position

Table 2 presents a summary of government-wide activity for the year ended June 30, 2020 (as presented on page 15) with comparative data for the year ended June 30, 2019.

Management's Discussion and Analysis

Table 2
Change in Net Position

	2020		2019	
	Amount	Percentage of Funding	Amount	Percentage of Funding
Revenues:				
Operating grants and contributions	\$ 22,880,817	73.55%	\$ 24,010,609	76.64%
Charges for services and other income	8,226,682	26.45%	7,319,497	23.36%
Total revenues	31,107,499	100.00%	31,330,106	100.00%
Expenses:				
Head Start	11,356,631	36.51%	11,109,780	35.46%
Low-Income Home Energy Assistance	4,911,580	15.79%	6,545,971	20.89%
Community Representative Payee	3,483,995	11.20%	2,842,234	9.07%
Workforce Innovation and Opportunity Act	2,528,710	8.13%	1,744,369	5.57%
Nutrition Services for the Elderly	1,502,224	4.83%	1,497,478	4.78%
Food Service	1,196,148	3.85%	1,343,802	4.29%
Community Service Block Grant	1,274,678	4.10%	1,388,912	4.43%
Senior Community Service Employment	643,242	2.07%	637,480	2.03%
Community Corrections	786,188	2.53%	756,517	2.41%
Homemaker Services for the Elderly	365,362	1.17%	292,240	0.93%
Foster Grandparents	263,655	0.85%	282,335	0.90%
Social Services Block Grant	225,269	0.72%	221,208	0.71%
Weatherization Assistance	138,795	0.45%	281,484	0.90%
Emergency Food Assistance	109,520	0.35%	100,600	0.32%
State Appropriations, Agency & Other	2,188,714	7.04%	1,412,346	4.51%
Total expenses	\$ 30,974,711	99.58%	\$ 30,456,756	97.21%
Change in net position	\$ 132,788	0.42%	\$ 873,350	2.79%

Net position increased by \$132,788 for the fiscal year compared to an increase in net position of \$873,350 for the prior year. Operating grants and contributions provided approximately 74% of the revenues for governmental activities for the current and 77% 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, 2020, the Agency's governmental funds reported a total fund balance of approximately \$2.03 million, an increase of \$369,305 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 \$369,305 for the fiscal year. The unassigned fund balance of the general fund was approximately \$1.97 million as of June 30, 2020.

Net Pension Asset

As of June 30, 2020, the Agency's net pension asset totaled \$1,924,825 compared to \$1,978,114 in the prior fiscal year; a net decrease of \$53,289. Additional information on the Agency's pension plan can be found in Note 4 of the financial statements.

General Fund Budgetary Highlights

The operating budget for the Agency is monitored on an ongoing basis. Staff may recommend necessary budget line items adjustments for the Board to approve. Once the amendment is approved it is processed in the accounting unit accordingly. For more information, the Comparison of the General Fund original and amended budgets and actual amounts are found on page 23.

Capital Assets

As of June 30, 2020, the Agency's capital assets totaled \$2,401,949 compared to \$2,455,805 in the prior fiscal year; a net decrease of \$53,856. These assets include buildings and improvements, vehicles, equipment, and land. Additions to capital assets totaled \$251,879. Assets with an original cost of \$41,860 and accumulated depreciation of \$40,273 were disposed of during the fiscal year. The Agency also recognized depreciation expense of \$304,148. Additional information on the Agency's capital assets can be found in Note 2 of the financial statements.

Factors Bearing on SCHRA's Future

The Agency is dependent on federal and state funding in order to carry out its various programs. Under Section 4-29-236 of the *Tennessee Code Annotated*, the Agency is scheduled to terminate on June 30, 2021. In February 2020 the state comptroller's office started a sunset review of our agency as required by law. The legislative auditors did a very thorough review of SCHRA over a period of nine months.

The agency went before the Governmental operations committee of the Tennessee legislator in December 2020. The committee voted to recommend another six year extension for SCHRA. We are very pleased with his recommendation and this will be voted on by the Tennessee General Assembly in the coming 2021 legislative session.

Requests for Information

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

**South Central Human Resource Agency
Basic Financial Statements**

South Central Human Resource Agency
Statement of Net Position

<i>June 30,</i>	2020
Assets	
Cash and cash equivalents	\$ 2,621,434
Receivables	1,888,991
Inventories - kitchen supplies	40,982
Prepaid expenses	256,217
Restricted assets:	
Cash and cash equivalents	715,951
Inventories - food commodities	480,431
Net pension asset	1,924,825
Capital assets, not being depreciated	131,281
Capital assets, net of depreciation	2,270,668
Total assets	10,330,780
Deferred Outflows of Resources	
Deferred outflows related to pension	698,075
Liabilities	
Accounts payable	469,261
Accrued payroll	321,633
Accrued payroll taxes and employee benefits	206,635
Due to funding source	506
Due to CRPP clients	2,515,197
Accrued leave	426,579
Accrued audit fee	36,000
Noncurrent liabilities	
Capital lease obligation - due within one year	4,591
Capital lease obligation - due in more than one year	2,170
Total liabilities	3,982,572
Deferred Inflows of Resources	
Deferred inflows related to pension	49,875
Net Position	
Net investment in capital assets	2,395,188
Restricted for pension benefits	1,874,950
Unrestricted	2,726,270
Total net position	\$ 6,996,408

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, 2020

Expenses

Functions/Programs	Direct Expenses	Indirect Costs Allocated
Governmental Activities:		
Program activities:		
Head Start	\$ 10,522,925	\$ 833,706
Low-Income Home Energy Assistance	4,734,808	176,772
Community Representative Payee	3,472,993	11,002
Workforce Innovation and Opportunity Act	2,437,175	91,535
Nutrition Services for the Elderly	1,466,031	36,193
Community Service Block Grant	1,187,955	86,723
Senior Community Service Employment	636,646	6,596
Community Corrections	727,833	58,355
Homemaker Services for the Elderly	338,093	27,269
Foster Grandparents	254,938	8,717
Social Services Block Grant	208,456	16,813
Weatherization Assistance	134,842	3,953
Emergency Food Assistance	101,355	8,165
Other	1,841,945	24,951
Support services:		
Food service	1,107,167	88,981
State Appropriations, Agency and other	313,799	8,019
Total	\$ 29,486,961	\$ 1,487,750
Net Position - beginning of year		
Net Position - end of year		

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

<u>Revenues</u>		
Charges for Services and Other Income	Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
\$ 93,944	\$ 11,244,859	\$ (17,828)
-	4,911,577	(3)
3,491,232	-	7,237
-	2,522,603	(6,107)
952,636	525,725	(23,863)
4,011	1,245,676	(24,991)
-	636,216	(7,026)
33,409	762,453	9,674
379,072	-	13,710
-	270,685	7,030
-	225,263	(6)
-	138,546	(249)
-	109,516	(4)
1,876,166	45,441	54,711
1,213,021	-	16,873
183,191	242,257	103,630
<hr/>		
\$ 8,226,682	\$ 22,880,817	132,788
<hr/>		
		6,863,620
<hr/>		
		\$ 6,996,408
<hr/> <hr/>		

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

<i>June 30, 2020</i>	General Fund	Children's Services Fund	Nutrition Fund
Assets			
Cash and cash equivalents	\$ 344,055	\$ 6,552	\$ -
Receivables			
Funding sources and others	7,031	468,889	187,574
Due from other funds	2,029,211	-	-
Inventories - kitchen supplies	-	-	40,982
Prepaid expenses	60,481	158,645	7,432
Restricted assets:			
Cash and cash equivalents	10,852	230,188	-
Inventories - food commodities	-	-	480,431
Total assets	\$ 2,451,630	\$ 864,274	\$ 716,419
Liabilities			
Accounts payable	\$ 252,277	\$ 119,719	\$ 49,419
Accrued payroll	36,459	94,903	27,098
Accrued payroll taxes and employee benefits	22,682	125,892	10,018
Due to funding sources	506	-	-
Due to other funds	-	353,509	568,405
Due to CRPP client	-	-	-
Accrued leave	75,511	170,251	61,479
Accrued audit fee	36,000	-	-
Total liabilities	423,435	864,274	716,419
Fund Balances			
Non-spendable	60,481	158,645	48,414
Unassigned	1,967,714	(158,645)	(48,414)
Total fund balances	2,028,195	-	-
Total liabilities and fund balances	\$ 2,451,630	\$ 864,274	\$ 716,419

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

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,270,827	\$ -	\$ 2,621,434
1,048,945	176,552	1,888,991
-	-	2,029,211
-	-	40,982
22,930	6,729	256,217
474,911	-	715,951
-	-	480,431
\$ 3,817,613	\$ 183,281	\$ 8,033,217
\$ 40,953	\$ 6,893	\$ 469,261
110,025	53,148	321,633
35,199	12,844	206,635
-	-	506
1,022,715	84,582	2,029,211
2,515,197	-	2,515,197
93,524	25,814	426,579
-	-	36,000
3,817,613	183,281	6,005,022
22,930	6,729	297,199
(22,930)	(6,729)	1,730,996
-	-	2,028,195
\$ 3,817,613	\$ 183,281	\$ 8,033,217

**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, 2020**

Total fund balance - governmental funds \$ 2,028,195

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

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

Cost of capital assets	\$ 4,580,535	
Accumulated depreciation	(2,178,586)	2,401,949
<hr/>		

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	(49,875)	
Deferred outflows related to pension	698,075	648,200
<hr/>		

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.

Capital lease obligation	(6,761)	
Net pension asset	1,924,825	1,918,064
<hr/>		

Net position of governmental activities	\$	6,996,408
<hr/> <hr/>		

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

<i>For the year ended June 30, 2020</i>	General Fund	Children's Services Fund	Nutrition Fund
Revenues			
Grantor contributions	\$ 145,890	\$ 11,244,859	\$ 525,725
Performance based income	-	-	924,210
Program income	1,788,657	-	1,233,856
State and local contributions	96,367	-	-
Other income	272,067	93,944	7,591
Total revenues	2,302,981	11,338,803	2,691,382
Expenditures			
Salaries	931,467	5,662,300	607,034
Fringe benefits	287,510	2,136,510	174,040
Participant costs	7,996	93,511	17,067
Food	16,088	485,741	1,634,282
Indirect costs	8,019	833,706	125,174
Contract services	-	19,519	-
Insurance and bonding	68,685	24,688	8,192
Maintenance and repairs	45,190	88,152	12,534
Office supplies	23,342	3,793	2,255
Other	121,825	43,536	-
Postage	4,404	4,379	714
Printing and duplication	3,036	430	-
Professional services	95,549	210,374	3,932
Program supplies	27,738	618,166	17,369
Rent and leases	94,202	387,402	30,621
Telephone	16,652	87,189	3,460
Transportation	13,842	14,214	1,929
Travel - in area	2,055	53,868	23,987
Travel - out of area	60,303	115,592	2,310
Utilities	51,925	138,708	26,480
Vehicles and equipment	53,848	317,025	2
Total expenditures	1,933,676	11,338,803	2,691,382
Excess of revenues over expenditures	369,305	-	-
Fund Balances - beginning	1,658,890	-	-
Fund Balances - ending	\$ 2,028,195	\$ -	\$ -

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

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 12,491,395	\$ 1,673,460	\$ 26,081,329
532,281	-	1,456,491
-	22,375	3,044,888
-	41,335	137,702
3,820	11,254	388,676
<hr/>	<hr/>	<hr/>
13,027,496	1,748,424	31,109,086
<hr/>	<hr/>	<hr/>
2,058,266	559,125	9,818,192
540,751	344,400	3,483,211
5,699,604	598,249	6,416,427
2,224	952	2,139,287
419,438	71,798	1,458,135
59,289	-	78,808
16,922	4,731	123,218
9,877	229	155,982
13,126	8,459	50,975
3,374,019	15,494	3,554,874
12,630	2,026	24,153
98	874	4,438
241,758	3,889	555,502
101,716	20,002	784,991
279,837	48,813	840,875
55,480	14,304	177,085
6,509	3,775	40,269
42,937	6,179	129,026
30,384	19,727	228,316
60,934	4,786	282,833
1,697	20,612	393,184
<hr/>	<hr/>	<hr/>
13,027,496	1,748,424	30,739,781
<hr/>	<hr/>	<hr/>
-	-	369,305
<hr/>	<hr/>	<hr/>
-	-	1,658,890
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 2,028,195
<hr/>	<hr/>	<hr/>

**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, 2020**

Total net change in fund balance - governmental funds \$ 369,305

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

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

Capital outlay	251,879	
Depreciation expense	(304,148)	(52,269)

Negative pension expense in the statement of activities does not represent current financial resources is not reported as a decrease in expenditures in governmental funds (279,971)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities

Principal payments on note payable - renovation	23,201	
Principal payments on capital lease obligation	74,109	97,310

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by the undepreciated value of the assets disposed. (1,587)

Change in net position of governmental activities \$ 132,788

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

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

<i>For the year ended June 30, 2020</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 145,890	\$ 145,890	\$ 145,890	\$ -
Program income	1,890,295	1,890,295	1,788,657	(101,638)
State and local contributions	93,495	93,495	96,367	2,872
Other income	72,350	72,350	272,067	199,717
Total revenues	2,202,030	2,202,030	2,302,981	100,951
Expenditures				
Salaries	950,580	950,580	931,467	19,113
Fringe benefits	301,024	301,024	287,510	13,514
Participant costs	9,055	9,055	7,996	1,059
Food	12,675	12,675	16,088	(3,413)
Indirect costs	19,008	19,008	8,019	10,989
Insurance and bonding	77,650	77,650	68,685	8,965
Maintenance and repairs	63,105	63,105	45,190	17,915
Nonexpendable supplies	1,000	1,000	-	1,000
Office supplies	24,425	24,425	23,342	1,083
Other	131,500	131,500	121,825	9,675
Postage	5,120	5,120	4,404	716
Printing and duplication	3,900	3,900	3,036	864
Professional services	109,350	109,350	95,549	13,801
Program supplies	50,330	50,330	27,738	22,592
Renovations	54,130	54,130	-	54,130
Rent and leases	120,981	120,981	94,202	26,779
Telephone	15,565	15,565	16,652	(1,087)
Transportation	14,760	14,760	13,842	918
Travel - in area	3,200	3,200	2,055	1,145
Travel - out of area	66,300	66,300	60,303	5,997
Utilities	59,700	59,700	51,925	7,775
Vehicles and equipment	70,036	70,036	53,848	16,188
Total expenditures	2,163,394	2,163,394	1,933,676	229,718
Net change in fund balances	38,636	38,636	369,305	(330,669)
Fund Balances - beginning	1,658,890	1,658,890	1,658,890	-
Fund Balances - ending	\$ 1,697,526	\$ 1,697,526	\$ 2,028,195	\$ (330,669)

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

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

<i>For the year ended June 30, 2020</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 12,288,127	\$ 12,288,127	\$ 11,244,859	\$ (1,043,268)
Other income	93,500	93,500	93,944	444
Total revenues	12,381,627	12,381,627	11,338,803	(1,042,824)
Expenditures				
Salaries	5,762,975	5,762,975	5,662,300	100,675
Fringe benefits	2,299,911	2,299,911	2,136,510	163,401
Participant costs	56,570	56,570	93,511	(36,941)
Food	474,100	474,100	485,741	(11,641)
Indirect costs	933,847	933,847	833,706	100,141
Contract services	18,122	18,122	19,519	(1,397)
Insurance and bonding	26,457	26,457	24,688	1,769
Maintenance and repairs	77,515	77,515	88,152	(10,637)
Nonexpendable supplies	4,454	4,454	-	4,454
Office supplies	9,477	9,477	3,793	5,684
Other	74,930	74,930	43,536	31,394
Postage	4,994	4,994	4,379	615
Printing and duplication	300	300	430	(130)
Professional services	205,364	205,364	210,374	(5,010)
Program supplies	518,692	518,692	618,166	(99,474)
Rent and leases	506,358	506,358	387,402	118,956
Telephone	106,175	106,175	87,189	18,986
Transportation	14,125	14,125	14,214	(89)
Travel - in area	59,336	59,336	53,868	5,468
Travel - out of area	129,906	129,906	115,592	14,314
Utilities	152,916	152,916	138,708	14,208
Vehicles and equipment	945,103	945,103	317,025	628,078
Total expenditures	12,381,627	12,381,627	11,338,803	1,042,824
Excess of revenues over expenditures	-	-	-	-
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ -	\$ -	\$ -	\$ -

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

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

<i>For the year ended June 30, 2020</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 612,996	\$ 612,996	\$ 525,725	\$ (87,271)
Performance based income	778,338	778,338	924,210	145,872
Program income	1,480,879	1,480,879	1,233,856	(247,023)
Other income	-	-	7,591	7,591
Total revenues	2,872,213	2,872,213	2,691,382	(180,831)
Expenditures				
Salaries	618,040	618,040	607,034	11,006
Fringe benefits	216,871	216,871	174,040	42,831
Participant costs	17,620	17,620	17,067	553
Food	1,682,031	1,682,031	1,634,282	47,749
Indirect costs	143,146	143,146	125,174	17,972
Insurance and bonding	9,241	9,241	8,192	1,049
Maintenance and repairs	17,800	17,800	12,534	5,266
Nonexpendable supplies	1,800	1,800	-	1,800
Office supplies	3,600	3,600	2,255	1,345
Other	3,269	3,269	-	3,269
Postage	880	880	714	166
Printing and duplication	200	200	-	200
Professional services	10,650	10,650	3,932	6,718
Program supplies	11,620	11,620	17,369	(5,749)
Rent and leases	43,254	43,254	30,621	12,633
Telephone	4,240	4,240	3,460	780
Transportation	2,100	2,100	1,929	171
Travel - in area	18,020	18,020	23,987	(5,967)
Travel - out of area	2,702	2,702	2,310	392
Utilities	28,000	28,000	26,480	1,520
Vehicles and equipment	1,000	1,000	2	998
Total expenditures	2,836,084	2,836,084	2,691,382	144,702
Excess of revenues over expenditures	36,129	36,129	-	36,129
Fund Balances - beginning	(36,129)	(36,129)	-	-
Fund Balances - ending	\$ -	\$ -	\$ -	\$ 36,129

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

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

<i>For the year ended June 30, 2020</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 9,500,746	\$ 9,500,746	\$ 12,491,395	\$ 2,990,649
Performance based income	371,118	371,118	532,281	161,163
Other income	156,120	156,120	3,820	(152,300)
Total revenues	10,027,984	10,027,984	13,027,496	2,999,512
Expenditures				
Salaries	2,090,471	2,090,471	2,058,266	32,205
Fringe benefits	630,472	630,472	540,751	89,721
Participant costs	5,494,180	5,494,180	5,699,604	(205,424)
Food	2,153	2,153	2,224	(71)
Indirect costs	432,872	432,872	419,438	13,434
Contract services	426,788	426,788	59,289	367,499
Insurance and bonding	18,652	18,652	16,922	1,730
Maintenance and repairs	14,205	14,205	9,877	4,328
Nonexpendable supplies	2,911	2,911	-	2,911
Office supplies	18,080	18,080	13,126	4,954
Other	15,010	15,010	3,374,019	(3,359,009)
Postage	14,904	14,904	12,630	2,274
Printing and duplication	19,286	19,286	98	19,188
Professional services	236,474	236,474	241,758	(5,284)
Program supplies	90,589	90,589	101,716	(11,127)
Rent and leases	286,798	286,798	279,837	6,961
Telephone	59,879	59,879	55,480	4,399
Transportation	7,798	7,798	6,509	1,289
Travel - in area	49,553	49,553	42,937	6,616
Travel - out of area	38,208	38,208	30,384	7,824
Utilities	62,356	62,356	60,934	1,422
Vehicles and equipment	24,060	24,060	1,697	22,363
Total expenditures	10,035,699	10,035,699	13,027,496	(2,991,797)
Excess of revenues over expenditures	(7,715)	(7,715)	-	(7,715)
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ (7,715)	\$ (7,715)	\$ -	\$ (7,715)

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Agency was formed on July 11, 1973 in accordance with the *Human Resource Agency Act of 1973*. This legislation established four metropolitan and up to nine rural human resource agencies to deliver human resource programs across the State of Tennessee. The Agency was chartered as a public non-profit corporation on February 19, 1975. The Agency delivers a variety of programs to economically disadvantaged, elderly, and disabled individuals in 13 counties of south central Tennessee: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The Agency is governed by a 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.

Government-Wide and Fund Financial Statements

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

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency reports the following major governmental funds:

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

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

Cash and Cash Equivalents

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

Receivables

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

Inventory and Prepaid Items

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

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 consist of cash and cash equivalents which are restricted by the types of expenditures allowed per the grantor and inventory of food commodities.

Capital Assets

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

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, 2020.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency reports deferred pension charges and credits in its statements of net position in connection with its participation in the Public Employee Retirement Plan of the TCRS. Deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (asset) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP. Deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

Pension Plan

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

Net Position/Fund Equity

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund balances at June 30, 2020 are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid expenses	\$ 60,481	\$ 158,645	\$ 7,432	\$ 22,930	\$ 6,729	\$ 256,217
Food Service Inventory	-	-	34,868	-	-	34,868
Ensure Inventory	-	-	6,114	-	-	6,114
Unassigned	1,967,714	(158,645)	(48,414)	(22,930)	(6,729)	1,730,996
	\$ 2,028,195	\$ -	\$ -	\$ -	\$ -	\$ 2,028,195

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.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2020, the Agency implemented GASB Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The implementation of GASB 95 did not result in any change in the Agency's financial statements.

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

In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. GASB 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92 (GASB 92), *Omnibus 2020*. The objectives of GASB 92 are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*. The purpose of GASB 93 is to address accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). GASB 93 achieves this objective by (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of the interest rate swap, and (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

In March 2020, the GASB issued Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in GASB 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB 94 is effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB 96 is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fund financial statements; and (3) enhance the relevance consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements for GASB 97 are effective for reporting periods beginning after June 15, 2021.

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

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits (including the certificate of deposit) may not be returned to it. The Agency minimizes this risk by requiring full collateralization on all demand deposit accounts in excess of federally insured limits except when the institution belongs to the State of Tennessee Bank Collateral Pool (the "Pool"). Banks participating in the Pool determine the aggregate balance of their public fund accounts for the Agency. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the Pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the Pool may also be required by agreement to pay an assessment to cover any deficiency. Consequently, public fund accounts covered by the Pool are considered to be fully insured for purposes of credit risk disclosure. At June 30, 2020, the carrying amount of the Agency's deposits was \$3,337,385, which were fully insured or collateralized.

Account Receivables

Receivables from grantor agencies and others included on the accompanying financial statements as of June 30, 2020, are as follows:

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Account Receivables (Continued)

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Government	Total
Tennessee Housing Development	\$ -	\$ -	-	\$ 264,525	\$ -	\$ 264,525
Tennessee Dept of Human Svs	-	-	-	341,555	-	341,555
Senior Service America, Inc.	-	-	-	-	68,104	68,104
St of TN Dept of Agriculture	-	-	-	36,670	-	36,670
U.S. Dept of Health and Human Services	-	468,889	-	35,008	-	503,897
Other	7,031	-	2,170	-	-	9,201
South Central TN Development District	-	-	185,404	371,187	-	556,591
Office of Criminal Justice Programs (JAG)	-	-	-	-	11,841	11,841
St of TN Dept. of Mental Health & Substance Abuse Services	-	-	-	-	25,518	25,518
St of Tennessee Dept of Corrections	-	-	-	-	31,750	31,750
Corporation for National and Community Service	-	-	-	-	39,339	39,339
Total receivables	\$ 7,031	\$ 468,889	\$ 187,574	\$ 1,048,945	\$ 176,552	\$ 1,888,991

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

Interfund Activity

Due to/from other funds at June 30, 2020 consisted of the following amounts:

Due to	Due from				Total
	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Governmental Funds	
General	\$ (353,509)	\$ (568,405)	\$ (1,022,715)	\$ (84,582)	\$ (2,029,211)

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Construction in progress	-	98,981	-	98,981
Total capital assets not being depreciated	32,300	98,981	-	131,281
Capital assets being depreciated:				
Buildings and improvements	2,791,003	34,888	-	2,825,891
Vehicles	1,245,679	80,658	41,860	1,284,477
Equipment	301,534	37,352	-	338,886
Total capital assets being depreciated	4,338,216	152,898	41,860	4,449,254
Less accumulated depreciation for:				
Buildings and improvements	921,829	106,180		1,028,009
Vehicles	735,181	176,015		911,196
Equipment	257,701	21,953	40,273	239,381
Total accumulated depreciation	1,914,711	304,148	40,273	2,178,586
Total capital assets being depreciated, net	2,423,505	(151,250)	1,587	2,270,668
Total governmental activities capital assets, net	\$ 2,455,805	\$ (52,269)	\$ 1,587	\$ 2,401,949

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

Governmental Activities	
General Fund	\$ 101,971
Children's Services Fund	168,301
Nutrition Fund	23,476
Community Service Fund	10,400
	\$ 304,148

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Lease Agreements

The Agency leases real estate, vehicles, and equipment for operation of its programs. Rent for the year ended June 30, 2020 totaled \$840,875 including allocated building costs of \$203,896. 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.

Due to CRPP Clients

Due to CRPP clients total \$ 2,515,197 for the year ended June 30, 2020 which consists of client money funded by client fees established by the Social Security Administration and Veterans Administration that have not been expended as of year-end.

Long Term Debt

During the year ended June 30, 2020, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance July 1, 2019	Proceeds	Retirements	Balance June 30, 2020	Amounts Due Within One Year
Compensated absences:					
General Fund	\$ 68,051	\$ 67,951	\$ 60,491	\$ 75,511	\$ -
Children's Services	161,585	330,768	322,102	170,251	-
Nutrition	55,448	34,835	28,804	61,479	-
Community Services	66,277	85,312	58,065	93,524	-
Other Governmental	19,825	35,065	29,076	25,814	-
Total	371,186	553,931	498,538	426,579	-
Capital leases from direct borrowings:					
Fork lift lease	10,536	-	4,121	6,415	4,245
Phone lease	19,426	-	19,080	346	346
Total	29,962	-	23,201	6,761	4,591
Note from direct borrowings:					
Bathroom renovations	74,109	-	74,109	-	-
Total Long-Term Liabilities	\$ 475,257	\$ 553,931	\$ 595,848	\$ 433,340	\$ 4,591

Fork lift lease - In December 2016, the Agency entered into a sixty month lease agreement with U.S. Bank Equipment Finance for a new forklift. The lease has been reported as a capital lease obligation as it contains an option for the Agency to purchase the equipment for \$1 at the end of the lease.

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long Term Debt (Continued)

The capital lease obligation has an implicit interest rate of 2.98% and calls for monthly payments of \$365. Lease payments are made by the General Fund.

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

As of June 30, 2020, assets recorded under capital leases were \$20,317 with accumulated depreciation of \$14,561. Amortization expense for assets under capital leases was \$4,063 for the year ended June 30, 2020 and is included in depreciation expense.

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

Fiscal Year Ending June 30,	Principal		Interest	
2021	\$	4,591	\$	134
2022		2,170		19
	\$	6,761	\$	153

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

Note 3: DEFERRED CONTRIBUTION PLANS

State of Tennessee 401(k) Retirement Funds

The Agency has adopted the Section 401(k) Cash or Deferred State of Tennessee Deferred Compensation Plan II ("401 (k)") administered by the State of Tennessee Treasurer effective July 1, 2017. Employees are eligible to participate in the 401(k) on the first day of employment. Employee contributions in any taxable year are also subject to certain statutory limitations. Employees may also contribute amounts representing distributions from other qualified defined benefit or contribution plans ("rollovers"). Employee contributions are invested in the participant's individual account after each payroll period and are fully vested in one year. The Agency matches employees who contribute at least 5%. The employer match is based on years of service, employees with 6 months – 15 years' service are eligible for a 5% match and employees with 15 years plus service are eligible for an 8% match. Employee contributions to the 401(k) totaled \$302,183 for the year ended June 30, 2020.

South Central Human Resource Agency Notes to Financial Statements

Note 3: DEFERRED CONTRIBUTION PLANS (Continued)

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 4: EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

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

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (“COLA”) 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.

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

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

Employees covered by benefit terms. At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	45
<u>Active employees</u>	<u>197</u>
<u>Total</u>	<u>249</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Agency makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, the employer contributions for the Agency was \$328,630 based on a rate of 5.0% covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Agency’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Agency’s net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	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 percent based on a blending of the factors described above.

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

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

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 840,630	\$ 2,818,744	\$ (1,978,114)
Changes for the year:			
Service cost	574,403	-	574,403
Interest	101,858	-	101,858
Differences between expected and actual experience	162,280	-	162,280
Contributions - employer	-	286,309	(286,309)
Contributions - employee	-	286,310	(286,310)
Net investment income	-	229,809	(229,809)
Benefit payments, including refunds of employee contributions	(20,177)	(20,177)	-
Administrative expense	-	(17,176)	17,176
Other changes	-	-	-
Net changes	818,364	765,075	53,289
Balances at June 30, 2019	\$ 1,658,994	\$ 3,583,819	\$ (1,924,825)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Agency calculated using the discount rate of 7.25 percent, 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 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Agency's net pension liability (asset)	\$ (1,565,721)	\$ (1,924,825)	\$ (2,205,934)

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, 2020, the Agency recognized negative pension expense of \$279,971.

Deferred outflows and deferred inflows or resources. For the year ended June 30, 2020, 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 4: EMPLOYEE RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 679,075	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	18,540	49,875
Total	\$ 698,075	\$ 49,875

Employer contributions subsequent to the measurement date of \$328,630 will be recognized in pension expense in the next fiscal year. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021		\$ 80,162
2022		61,624
2023		76,594
2024		81,626
2025		82,835
Thereafter		265,359

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

Note 5: RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Agency protects itself from potential loss through participation in the Tennessee Municipal League Risk Management Pool (the "Pool") for commercial general and personal injury liability; property and crime liability, public officers' liability; automobile liability, and workers' compensation. The Agency's agreement with the Pool provides for payment of annual premiums for coverage. The agreement also provides for refunds or additional assessments to members based on the experience of the Pool. Additional member assessments have not been imposed in any of the past three fiscal years. Additionally, the Agency carries excess liability insurance through the State of Tennessee's Self Insurers Risk Retention Group, Inc., specialized insurance coverages through various commercial insurance policies for some of its programs, and additional employee dishonesty coverage specific to its pension plan. There have been no significant reductions in insurance coverage from coverage in the prior year by major categories of risk. In addition, the amount of settled claims did not exceed insurance coverage in any of the past three fiscal years.

South Central Human Resource Agency Notes to Financial Statements

Note 5: RISK MANAGEMENT (Continued)

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

Note 6: COMMITMENTS AND CONTINGENCIES

Substantially all of the Agency's revenues and related receivables are provided through grants or contracts with federal, state and local agencies. The Agency's compliance with the requirements of these grants and contract is subject to audit or other verification at the discretion of the applicable agency. Management is not aware of any deficiencies or other noncompliance issues which, upon ultimate resolution, would have a material adverse impact on the financial statements of the Agency. In addition, the operations of the Agency are subject to the administrative directives, rules and regulations of these agencies. Such administrative directives, rules and regulations are subject to change by an act of the United States Congress or its designees. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. 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 7: RELATED PARTIES

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

Note 8: SUBSEQUENT EVENTS

In February 2020 the state comptroller's office started a sunset review of our Agency as required by law. In December 2020, the Agency went before the Governmental Operations Committee of the Tennessee Legislature. The Committee voted to recommend another six year extension for SCHRA. This recommendation and this will be voted on by the Tennessee General Assembly in the coming 2021 legislative session.

Management has evaluated events through January 15, 2021, the date the financial statements were available to be issued, except for the item noted above there were none to disclose.

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

<i>June 30,</i>	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 574,403	\$ 68	\$ 414	\$ 1,223	\$ 1,218	\$ 1,234
Interest	101,858	12,224	11,534	10,910	10,843	10,746
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual	162,280	666,067	12,031	5,801	(5,950)	(7,493)
Changes of assumptions	-	-	2,470	-	-	-
Benefit payments, including refunds of employee contributions	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Net change in total pension liability	818,364	665,828	16,402	10,373	3,229	1,017
Total pension liability - beginning	840,630	174,802	158,400	148,027	144,798	143,781
Total pension liability - ending (a)	\$ 1,658,994	\$ 840,630	\$ 174,802	\$ 158,400	\$ 148,027	\$ 144,798
Plan Fiduciary Net Position						
Contributions - employer	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions - member	286,310	235,265	-	-	-	-
Net investment income	229,809	198,808	221,395	50,710	57,285	264,954
Benefit payments, including refunds of employee	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Administrative expense	(17,176)	(16,470)	-	-	-	(119)
Other	-	8,099	-	-	-	-
Net change in plan fiduciary net position	765,075	648,437	211,348	43,149	54,403	261,365
Plan net position - beginning	2,818,744	2,170,307	1,958,959	1,915,810	1,861,407	1,600,042
Plan net position - ending (b)	\$ 3,583,819	\$ 2,818,744	\$ 2,170,307	\$ 1,958,959	\$ 1,915,810	\$ 1,861,407
Net pension liability (asset) - ending (a) - (b)	\$ (1,924,825)	\$ (1,978,114)	\$ (1,995,505)	\$ (1,800,559)	\$ (1,767,783)	\$ (1,716,609)
Plan fiduciary net position as a percentage of the total pension	216.02%	335.31%	1241.58%	1236.72%	1294.23%	1285.52%
Covered payroll**	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered payroll	-33.61%	-42.04%	N/A	N/A	N/A	N/A

Notes to Schedule:

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

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

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

<i>June 30,</i>	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution*	\$ 328,630	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially	328,630	286,309	235,266	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	\$ 6,572,544	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	5.00%	5.00%	5.00%	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2020 were calculated based on the results of the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contributions rates:

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

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

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

<i>June 30, 2020</i>	Senior Services Fund	Justice Services Fund	Total Other Governmental Funds
Assets			
Receivables			
Funding sources and others	\$ 107,443	\$ 69,109	\$ 176,552
Prepaid expenses	1,563	5,166	6,729
Total assets	\$ 109,006	\$ 74,275	\$ 183,281
Liabilities			
Accounts payable	\$ 2,252	\$ 4,641	\$ 6,893
Accrued payroll	36,472	16,676	53,148
Accrued payroll taxes and employee benefits	2,716	10,128	12,844
Due to other funds	57,758	26,824	84,582
Accrued leave	9,808	16,006	25,814
Total liabilities	109,006	74,275	183,281
Fund Balances			
Non-spendable	158,645	22,930	6,729
Unassigned	(158,645)	(22,930)	(6,729)
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 109,006	\$ 74,275	\$ 183,281

**South Central Human Resource Agency
Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund
Balance – Non-major Governmental Funds**

<i>For the year ended June 30, 2020</i>	Senior Services Fund	Justice Services Fund	Total Other Governmental Funds
Revenues			
Grantor contributions	\$ 946,652	\$ 726,808	\$ 1,673,460
Program income	-	22,375	22,375
State and local contributions	-	41,335	41,335
Other income	-	11,254	11,254
Total revenues	946,652	801,772	1,748,424
Expenditures			
Salaries	122,301	436,824	559,125
Fringe benefits	186,272	158,128	344,400
Participant costs	561,450	36,799	598,249
Food	952	-	952
Indirect costs	18,264	53,534	71,798
Insurance and bonding	1,897	2,834	4,731
Maintenance and repairs	43	186	229
Office supplies	6,784	1,675	8,459
Other	7,956	7,538	15,494
Postage	1,671	355	2,026
Printing and duplication	874	-	874
Professional services	-	3,889	3,889
Program supplies	5,612	14,390	20,002
Rent and leases	13,294	35,519	48,813
Telephone	4,437	9,867	14,304
Transportation	509	3,266	3,775
Travel - in area	68	6,111	6,179
Travel - out of area	8,089	11,638	19,727
Utilities	632	4,154	4,786
Vehicles and equipment	5,547	15,065	20,612
Total expenditures	946,652	801,772	1,748,424
Net change in fund balances	-	-	-
Fund Balances - beginning	-	-	-
Fund Balances - ending	\$ -	\$ -	\$ -

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

<i>For the year ended June 30, 2020</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 1,003,259	\$ 1,003,259	\$ 946,652	\$ (56,607)
Expenditures				
Salaries	121,561	121,561	122,301	(740)
Fringe benefits	179,937	179,937	186,272	(6,335)
Participant costs	590,764	590,764	561,450	29,314
Food	4,400	4,400	952	3,448
Indirect costs	22,745	22,745	18,264	4,481
Insurance and bonding	2,550	2,550	1,897	653
Maintenance and repairs	1,345	1,345	43	1,302
Office supplies	4,200	4,200	6,784	(2,584)
Other	9,555	9,555	7,956	1,599
Postage	2,684	2,684	1,671	1,013
Printing and duplication	2,650	2,650	874	1,776
Professional services	7,582	7,582	-	7,582
Program supplies	2,750	2,750	5,612	(2,862)
Rent and leases	17,840	17,840	13,294	4,546
Telephone	7,000	7,000	4,437	2,563
Transportation	2,725	2,725	509	2,216
Travel - in area	2,101	2,101	68	2,033
Travel - out of area	13,320	13,320	8,089	5,231
Utilities	500	500	632	(132)
Vehicles and equipment	7,050	7,050	5,547	1,503
Total expenditures	1,003,259	1,003,259	946,652	56,607
Excess of revenues over expenditures	-	-	-	-
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ -	\$ -	\$ -	\$ -

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

<i>For the year ended June 30, 2020</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 760,866	\$ 760,866	\$ 726,808	\$ (34,058)
Program income	38,340	38,340	22,375	(15,965)
State and local contributions	34,700	34,700	41,335	6,635
Other income	19,250	19,250	11,254	(7,996)
Total revenues	853,156	853,156	801,772	(51,384)
Expenditures				
Salaries	450,047	450,047	436,824	13,223
Fringe benefits	178,686	178,686	158,128	20,558
Participant costs	36,980	36,980	36,799	181
Food	370	370	-	370
Indirect costs	62,845	62,845	53,534	9,311
Insurance and bonding	3,399	3,399	2,834	565
Maintenance and repairs	280	280	186	94
Nonexpendable supplies	220	220	-	220
Office supplies	2,066	2,066	1,675	391
Other	4,791	4,791	7,538	(2,747)
Postage	479	479	355	124
Printing and duplication	50	50	-	50
Professional services	4,210	4,210	3,889	321
Program supplies	15,570	15,570	14,390	1,180
Rent and leases	35,355	35,355	35,519	(164)
Telephone	9,755	9,755	9,867	(112)
Transportation	6,290	6,290	3,266	3,024
Travel - in area	6,284	6,284	6,111	173
Travel - out of area	17,456	17,456	11,638	5,818
Utilities	3,863	3,863	4,154	(291)
Vehicles and equipment	15,343	15,343	15,065	278
Total expenditures	854,339	854,339	801,772	52,567
Excess of revenues over expenditures	(1,183)	(1,183)	-	(1,183)
Fund Balances - beginning	-	-	-	-
Fund Balances - ending	\$ (1,183)	\$ (1,183)	\$ -	\$ (1,183)

**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, 2020, 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 15, 2021.

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 15, 2021

**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, 2020. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

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

Enterprise, Alabama
January 15, 2021

South Central Human Resource Agency
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2020

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	O4CH010668	\$ -	\$ 8,314,321
Head Start*	93.600	O4HP00041201	-	2,023,351
COVID-19 Head Start*	93.600	COVID-19 O4HP00041201	-	36,989
Head Start*	93.600	O4HP001704	-	471,816
Total direct programs/Subtotal for 93.600/Subtotal Head Start Cluster				- 10,846,477
Passed through Tennessee Housing Development Agency				
Low-Income Home Energy Assistance	93.568	LIHEAP-20-15	-	2,816,397
Low-Income Home Energy Assistance	93.568	LIHEAP-18-15	-	1,912,520
Low-Income Home Energy Assistance	93.568	LWx-18-11	-	151,284
Subtotal for 93.568				- 4,880,201
Passed through the State of Tennessee Department of Human Services				
Community Services Block Grant	93.569	Z-19-49116	-	188,082
Community Services Block Grant	93.569	Z-19-49116 SP	-	322,698
Community Services Block Grant	93.569	Z-20-49116	-	702,238
COVID-19 Community Services Block Grant	93.569	COVID-19 Z-22-49216	-	32,657
Subtotal for 93.569				- 1,245,675
Social Services Block Grant	93.667	Z-20-49316A	-	170,879
Social Services Block Grant	93.667	Z-19-49316	-	54,390
Subtotal for 93.667				- 225,269
Total pass-through				- 6,351,145
Total U.S. Department of Health and Human Services				- 17,197,622
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	-	398,575
Emergency Food Assistance Program				
(Administrative Costs)***	10.568	75675	-	81,305
Emergency Food Assistance Program				
(Administrative Costs)***	10.568	70723	-	28,215
Subtotal for 10.568				- 109,520
Emergency Food Assistance Program				
(Food Commodities)***(n)	10.569	N/A	-	463,862
Total Food Distribution Cluster				- 573,382
Total U.S. Department of Agriculture				- 971,957

-Continued-

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

**South Central Human Resource Agency
Schedule of Expenditures of Federal Awards and
State Financial Assistance (Continued)
For the Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
Corporation for National and Community Service				
Direct Program				
Retired Senior Volunteer Program	94.002	18SRSTN003	-	39,751
Foster Grandparent Program**	94.011	17SFSTN003	-	270,685
Total Corportation for National and Community Service			-	310,436
U.S. Department of Labor				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	TN2999	-	636,216
U.S. Department of Energy				
Passed through Tennessee Housing Development Agency				
Weatherization Assistance for Low-Income Persons	81.042	WAP-19-11	-	138,795
U.S. Department of Justice				
Passed through State of Tennessee Department of Finance and Admin Office of Criminal Justice				
Office of Criminal Justice Programs (JAG)	16.738	N/A	-	57,734
Total expenditures of federal awards			\$ -	\$ 19,312,760

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	55213	-	492,917
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lincoln)	N/A	62572	-	78,783
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lawrence)	N/A	62572	-	132,163
Total expenditures of state financial assistance			\$ -	\$ 849,753

*Head Start Cluster

**Foster Grandparent/Senior Companion Cluster

***Food Distribution Cluster

(n) Non-cash assistance

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

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

Note 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the SEFA) summarizes the federal expenditures of the Agency under programs of the federal government for the year ended June 30, 2020. The amounts reported as federal expenditures were obtained from the Agency's general ledger. Because the SEFA presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position and changes in net position of the Agency.

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

Clusters

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

Note 2: INDIRECT COST

The Agency has not elected to use the 10% de Minimis cost rate for the year ended June 30, 2020.

Note 3: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

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

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

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

Note 4: FEDERAL PASS-THROUGH FUNDS

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

Note 5: 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 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, 2020, 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, 2020, the Agency had food commodities totaling \$463,862.

Note 8: SUBRECIPIENTS

The Agency did not provide federal funds to subrecipients for the fiscal year ending June 30, 2020.

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, 2020.

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

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, 2020.

**South Central Human Resource Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

CFDA Number	Federal Program
93.568	Low-Income Home Energy Assistance
5. Dollar threshold used to distinguish between type A and type B programs	\$750,000
6. Auditee qualified as low-risk under 2CFR 200.520	Yes

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Section II – Financial Statements Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**South Central Human Resource Agency
Summary Schedule of Prior Audit Findings for Federal Awards and
State Financial Assistance
For the Year Ended June 30, 2020**

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