



South Central Human Resource Agency

FINANCIAL STATEMENTS

June 30, 2021



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Carr, Riggs & Ingram, LLC

1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
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, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2021, 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.

Emphasis of Matter

As described in Note 10 to the financial statements, the Comptroller of the Treasury for the State of Tennessee has an ongoing investigation into certain irregularities discovered in the administration of a grant. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 15, schedule of changes in net pension liability (asset) and schedule of employer contributions are presented to supplement the basic financial statements on pages 50 and 51. 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

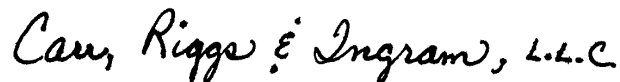
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 March 21, 2022 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



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

Enterprise, Alabama
March 21, 2022

South Central Human Resource Agency Management's Discussion and Analysis

This discussion is intended to present a broad view of South Central Human Resource Agency's financial position and activities for the fiscal year ended June 30, 2021. This information is provided to comply with *GASB No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The discussion and analysis included in this document contain information regarding social services provided by South Central Human Resource Agency.

Mission Statement

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

Agency Overview

The South Central Human Resource Agency ("SCHRA" or the "Agency") was created July 11, 1973, and chartered as a public, non-profit corporation on February 19, 1975. The Agency's goal is to promote the development of human resources in South Central Tennessee through effective and efficient delivery of human services. From the Agency's central office at 1437 Winchester Highway in Fayetteville, Tennessee, it strives to effectively deliver human service programs and oversee the coordination efforts through its Neighborhood Service Centers located in the thirteen counties served by the Agency: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The counties served by SCHRA contain over 6,500 square miles of vastly rural country and supports a population of approximately 423,000 individuals. Across this region in the fiscal year 2021, SCHRA had in place 13 Neighborhood Service Centers, 13 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 2021, SCHRA delivered approximately \$26,739,765 of services and employed approximately 600 people.

Governing Bodies

The corporate powers of SCHRA are vested in its Governing Board, which is responsible for fulfilling Agency objectives and establishing policy guidelines and direction. The Governing Board of SCHRA was reorganized in May of 2021 by new legislation. The Governing Board is composed of representatives from each of the thirteen counties that the Agency serves. Membership consists of the county executive/mayor of each county, (3) city mayors from established divisions represent all municipalities within the area, and (6) human resource representatives appointed by the Governing Board, and one state senator and one state representative whose districts lie within the Development District.

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

The Governing Board meets six times (bi-monthly) a year. An annual meeting is called once per year with the Governing Board and all City Mayors to discuss program success and goals.

South Central Human Resource Agency Management's Discussion and Analysis

The members of these bodies play a critical role in overseeing programs, ratifying policies, and helping to plan the future of the Agency. Without a strategy based on knowledge and placed in the hands of competent and concerned individuals, the Agency would have only random ideas without a guiding purpose or direction.

Agency Facility Accomplishments

On March 20, 2002, the Agency acquired a 40,000 square foot, single-story, brick commercial building situated on 5.1 acres, located at 1437 Winchester Highway. 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 of the HVAC System by replacing the original chiller. The Agency also continues to replace our aging vehicle fleet. In the fall of 2021, we also worked to develop a new space for an American Jobs Center (AJC) in Marshall County. The new AJC provides a much better location and parking for clients, a 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 ensure 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, which opened in July of 2021. The Early Head Start Program also received funding for a building in Coffee County. It should be ready to move into December of 2021. A 12,500 square foot facility was secured for a new Head Start/Early Head Start in Lawrence County. The building will be renovated, and hopes are to have it ready by September 2022. Funds were also secured for a new Head Start location in Wayne County. We hope to have the building purchased in December 2021, with renovations to follow.

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 2021 follow:

COVID-19 2021 Response:

This past fiscal year continues to be both perplexing and rewarding. No one could have foreseen the challenges our Agency would face due to the pandemic outbreak of COVID-19 and the new delta variant. The repercussions of a national shutdown combined with health and safety concerns were problematic on our nation, particularly, the clients we serve. The Agency's response has been tempered with respects for both 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 continue to increase the distribution of

South Central Human Resource Agency Management's Discussion and Analysis

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. This allows clients to apply from the comfort and safety of their homes. It also provides greater access to those clients who may not have access to services during our working hours. As a result of these new processes, we have seen increased productivity and output, expediting clients' services.

The Senior Nutrition program experienced the reopening of congregate sites and increased home delivery. 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 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 American Jobs Centers 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. We now have an AJC in all 13 counties that came to fruition with our Moore County office opening late this summer. 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.

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 are now back to in-person sessions and direct services with case officers. 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. Graduations continue to happen across the services area.

The Agency's CRPP program made a profit this year. Management provided a performance incentive to workers in the Program to retain these essential employees. Additionally, the Agency continues to implement the wage compensation study that was conducted in the fall of 2020. 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.

South Central Human Resource Agency Management's Discussion and Analysis

In September, Senior Staff conducted a meeting to review our three-year strategic plan. The Agency will continue to focus on infrastructure and seeking new locations for client services. 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 continued 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 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 38% 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 ITERS-R to monitor learning environments and teaching practices. Along with establishing school readiness goals for the children, we acknowledge that parents are their child's first educators and will continue to be throughout their child's educational career. There were numerous parents and community volunteers who provided services to our program throughout all 13 of our counties. Head Start facility improvements continue to be a major focus of SCHRA. Several Head Start locations received new tricycle paths and shade structures during this last year. Additionally, facilities received safety improvements with video cameras and physical barriers around playgrounds. The results and outcomes are making an impact within our agency.

Low-Income Home Energy Assistance Program

The Low-Income Home Energy Assistance Program ("LIHEAP") is funded by the Tennessee Housing Development Agency ("THDA"). This program provides assistance to elderly, disabled, and low-income persons with the energy used to heat their homes through financial assistance to offset a portion of the cost. Priority for assistance is given to 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 2021, a total of 5,844 households received assistance. The total amount funded for FY 2021 was \$2,630,697.

South Central Human Resource Agency Management's Discussion and Analysis

Nutrition Services for the Elderly Program

The Nutrition Services for the Elderly ("Nutrition") Program, funded by the South Central TN Development District/TN Commission on Aging and Disabilities through the Older Americans Act, strives to help the frail and elderly individuals aged 60 or over to eat adequately by providing a noon-time meal in a congregate or home-delivered setting. The development of skill and/or knowledge to help the elderly select and prepare nourishing and well-balanced meals is also a primary concern. Meals are provided to those who have limited mobility which may impair their capacity to shop and cook for themselves. The program is committed to ensuring the dignity of every person and underlining their importance through continued social contact and activities which minimize the need for institutionalism in nursing homes or comparable facilities. During fiscal year 2021, a total of 100,187 congregate meals were served, and 57,800 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 14,245 meals, Family Caregiver provided 1,333 meals, and Long Term Care Choices provided 22,786 meals. Two new funding sources became available due to COVID-19, Families First COVID-19 Relief Act (FFCRA) provided 16,127 delivered meals, and CARES ACT provided 44,556 delivered meals.

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 2021, 374 clients were assisted in 33 Tennessee counties and 7 other states. Benefits overseen on behalf of clients for the year totaled \$5,660,390.

Food Service Program

Through the operation of two commercial kitchens, SCHRA provides hot, nutritious meals to programs and individuals for a fee without limited qualifications. This service acts as a vendor to numerous Agency programs as well as the general public. A staff of 12 employees, utilizing 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 2021, these kitchens supplied 259,870 meals for the Agency's Senior Nutrition Program.

Emergency Food Assistance Program-Commodities

Provides USDA donated food products to low-income households at local distributions held quarterly in each of our thirteen counties. During fiscal year 2021, 9,231 households received commodities with a total amount of \$586,586 of food distributed. 300 volunteers served with a total of 1,300 hours served.

South Central Human Resource Agency Management's Discussion and Analysis

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 2021 for the operation of its CSBG Program from funds passed through to the Agency by the Tennessee Dept. of Human Services ("DHS"). The CSBG Program ensures access to programs and services by elderly, disabled, and low-income persons through the Neighborhood Service Centers in each of the 13 counties served by the Agency, where experienced personnel assists in meeting the needs of the low-income population. In addition to financial eligibility, the need of service must be established according to the individual or household circumstances, with priority given to the elderly and disabled. During fiscal year 2021, the CSBG Program served 4,530 unduplicated households with 10,190 individuals.

Senior Community Service Employment Program

The Senior Community Service Employment ("Title V") Program, funded by Senior Service America, Inc. ("SSAI"), is designed to assist economically disadvantaged people age 55 and over by providing immediate supplemental income, work experience, and training at an approved training site, with an immediate goal of more permanent, unsubsidized employment. The Title V Program is also dedicated to strengthening families, communities, and the nation by providing older and disadvantaged individuals with opportunities to learn, work and serve others. Clients must be age 55 or above, a legal resident of the county in which they apply, and be capable of performing tasks involved in the community service employment assigned as stated in the training site description, and must be economically disadvantaged, as determined by the currently established poverty guidelines - 125% scale. Title V clients who cannot immediately be placed into an unsubsidized job receive assistance on finding a job and/or are assigned to eligible non-profit and government agencies for approximately 20 hours of work per week. In these assignments, clients receive valuable work experience and skill training while assisting their host agency in delivering essential community services. During fiscal year 2021, the Title V Program served a 12 county area with an allocated slot level of 168 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 2021, a total of 7,251 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 2021, Options provided 3,388.50 units of service, Family Caregiver provided 3,145 units of service,

South Central Human Resource Agency Management's Discussion and Analysis

Long Term Care Choices provided 18,911.50 units of service, Title III provided 1,359 units, and Private Care provided 2,200 units of service. These services were delivered to 116 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 2021, the program served 499 clients who paid \$2,878 in victim restitution, \$5,204 in child support and worked 2,843 hours of community service. The Agency also added new programming for Recovery Court for Lincoln and Lawrence Counties funded through the Tennessee Dept. of Mental Health and Substance Abuse Services. These new programs will aid greatly with our court services.

Foster Grandparent Program

The Foster Grandparent Program, funded by the Corporation for National Service, provides stipend volunteer opportunities for limited income persons age 55 and older to give support services to children with "special needs" in the community. Foster Grandparents assist children and adolescents with learning disabilities, those who have been abused and/or neglected, and drug-addicted abandoned babies. Teen parents and their children may also be assisted by these volunteers. Foster Grandparents serve an average of 20 hours a week in volunteer stations such as Head Start, public schools, daycare centers, shelters for abused women and children, and after-school programs. Applicants must be at least 55 years old, willing to serve an average of 20 hours per week and meet 200% of poverty guidelines. Volunteers receive a modest tax-free allowance or stipend and an annual physical exam. For fiscal year 2021, services were provided for 122 "at-risk" children by 33 Foster Grandparents.

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

The SSBG/Protective Service Homemaker Program, funded by the Tennessee Dept. of Human Services, provides supportive services to adults (Adult Protective Services (APS) cases) who have been threatened with abuse, neglect, or exploitation and require assistance to prevent this from occurring. Services focus on activities which the client can no longer do for themselves and which are necessary for the person to remain at home, including emotional support and encouragement during periods of loneliness and depression. Services are directed at teaching homemaking and daily living skills to these individuals. Eligibility is determined by the DHS caseworker. Need is established when an individual or family is experiencing a specific personal or social problem for which homemaker services are deemed appropriate. During fiscal year 2021, a total of 114 clients served.

Weatherization Assistance Program

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

South Central Human Resource Agency Management's Discussion and Analysis

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 2021, 31 homes were weatherized at a funding level of \$289,169.

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 2021, 27,065 clients were serviced through the American Job Centers in our 13 county region.

Overview of the Financial Statements

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

Basic Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements on pages 16 and 17 provide a broad overview of the Agency's financial position and operations in a manner similar to a private-sector business. The statement of net position presents the Agency's assets and deferred outflows of resources and liabilities and deferred inflows of resources on a full accrual, economic resource basis. The difference between assets, 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 18 through 25 provide information about the Agency's funds. Funds are used to maintain control over resources that are to be segregated for specific 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.

South Central Human Resource Agency Management's Discussion and Analysis

Governmental Funds

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

Notes to Financial Statements

The notes to the financial statements on pages 26 through 49 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

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

Required Supplementary Information

The required supplementary information on pages 50 through 51 is provided to supplement the basic financial statements.

Other Supplementary Information

The supplementary information on pages 52 through 55 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 \$24.1 million during the fiscal year. Accordingly, a Single Audit was required. The Single Audit section of the financial statements on pages 56 through 67 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, 2021 (as presented on page 16) with comparative data from June 30, 2020.

South Central Human Resource Agency Management's Discussion and Analysis

Table 1
Condensed Statement of Net Position

	2021	2020
Current assets	\$ 6,066,804	\$ 4,807,624
Restricted assets	2,922,218	1,196,382
Net pension asset	1,908,244	1,924,825
Capital assets	4,599,653	2,401,949
Total assets	15,496,919	10,330,780
Deferred outflows of resources	673,452	698,075
Current liabilities	6,650,771	3,975,811
Note payable	865,597	-
Capital lease obligation	2,170	6,761
Total liabilities	7,518,538	3,982,572
Deferred inflows of resources	28,664	49,875
Net position:		
Net investment in capital assets	3,731,886	2,395,188
Restricted for pension benefits	1,879,580	1,874,950
Unrestricted	3,011,703	2,726,270
Total net position	\$ 8,623,169	\$ 6,996,408

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8.6 million as of June 30, 2021. The Agency's net position increased \$1,626,761 for the fiscal year.

The Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land) represents 43% of its net position as of June 30, 2021. 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 22% of its net position as of June 30, 2021. 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, 2021 (as presented on page 17) with comparative data for the year ended June 30, 2020.

South Central Human Resource Agency Management's Discussion and Analysis

Table 2
Change in Net Position

	2021		2020	
	Amount	Percentage of Funding	Amount	Percentage of Funding
Revenues:				
Operating grants and contributions	\$ 28,704,436	75.22%	\$ 22,880,817	73.55%
Charges for services and other income	9,456,161	24.78%	8,226,682	26.45%
Total revenues	38,160,597	100.00%	31,107,499	100.00%
Expenses:				
Head Start	11,978,130	31.39%	11,356,631	36.51%
Low-Income Home Energy Assistance	6,930,811	18.16%	4,911,580	15.79%
Community Representative Payee	4,348,443	11.40%	3,483,995	11.20%
Workforce Innovation and Opportunity Act	3,967,689	10.40%	2,528,710	8.13%
Nutrition Services for the Elderly	1,888,912	4.95%	1,502,224	4.83%
Food Service	1,391,007	3.65%	1,196,148	3.85%
Community Service Block Grant	1,601,345	4.20%	1,274,678	4.10%
Senior Community Service Employment	686,659	1.80%	643,242	2.07%
Community Corrections	643,885	1.69%	786,188	2.53%
Homemaker Services for the Elderly	323,360	0.85%	365,362	1.17%
Foster Grandparents	297,407	0.78%	263,655	0.85%
Social Services Block Grant	197,413	0.52%	225,269	0.72%
Weatherization Assistance	170,969	0.45%	138,795	0.45%
Emergency Food Assistance	94,903	0.25%	109,520	0.35%
State Appropriations, Agency & Other	2,012,903	5.27%	2,188,714	7.04%
Total expenses	\$ 36,533,836	95.75%	\$ 30,974,711	99.57%
Change in net position	\$ 1,626,761	4.25%	\$ 132,788	0.43%

Net position increased by \$1,626,761 for the fiscal year compared to an increase in net position of \$132,788 for the prior year. Operating grants and contributions provided approximately 75% of the revenues for governmental activities for the current and 74% 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.

South Central Human Resource Agency Management's Discussion and Analysis

As of June 30, 2021, the Agency's governmental funds reported a total fund balance of approximately \$2.34 million, an increase of \$310,056 over the prior fiscal year. The general fund is the Agency's primary operating fund. Revenues exceeded expenditures in this fund by \$217,273 for the fiscal year. The unassigned fund balance of the general fund was approximately \$2.2 million as of June 30, 2021.

Net Pension Asset

As of June 30, 2021, the Agency's net pension asset totaled \$1,908,244 compared to \$1,924,825 in the prior fiscal year; a net decrease of \$16,581. 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 22.

Capital Assets

As of June 30, 2021, the Agency's capital assets totaled \$4,599,653 compared to \$2,401,949 in the prior fiscal year; a net increase of \$2,197,704. These assets include buildings and improvements, vehicles, equipment, and land. Additions to capital assets totaled \$2,519,146. The Agency also recognized depreciation expense of \$321,442. 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 was schedule to terminate on June 30, 2021. On January 8, 2021 SB67 extended the termination date of the Agency to June 30, 2027.

Requests for Information

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

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

South Central Human Resource Agency
Statement of Net Position

<i>June 30,</i>	<i>2021</i>
Assets	
Cash and cash equivalents	\$ 3,124,159
Receivables	2,662,676
Inventories - kitchen supplies	49,218
Prepaid expenses	230,751
Restricted assets	
Cash and cash equivalents	2,254,457
Inventories - food commodities	667,761
Net pension asset	1,908,244
Capital assets, not being depreciated	2,292,828
Capital assets, net of depreciation	2,306,825
<hr/>	
Total assets	15,496,919
Deferred Outflows of Resources	
Deferred outflows related to pension	673,452
<hr/>	
Liabilities	
Accounts payable	964,407
Accrued payroll	435,688
Accrued payroll taxes and employee benefits	411,375
Due to funding source	71,973
Due to CRPP clients	4,114,390
Accrued audit fee	36,000
Deferred income	104,290
Noncurrent liabilities	
Accrued leave	512,648
Capital lease obligation - due within one year	2,170
Note payable - due within one year	58,872
Note payable - due in more than one year	806,725
<hr/>	
Total liabilities	7,518,538
Deferred Inflows of Resources	
Deferred inflows related to pension	28,664
<hr/>	
Net Position	
Net investment in capital assets	3,731,886
Restricted for pension benefits	1,879,580
Unrestricted	3,011,703
<hr/>	
Total net position	\$ 8,623,169
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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, 2021

Expenses

Functions/Programs	Direct Expenses	Indirect Costs Allocated
Governmental Activities:		
Program activities:		
Head Start	\$ 11,132,519	\$ 845,611
Low-Income Home Energy Assistance	6,764,043	166,768
Community Representative Payee	4,336,475	11,968
Workforce Innovation and Opportunity Act	3,880,112	87,577
Nutrition Services for the Elderly	1,849,498	39,414
Community Service Block Grant	1,481,354	119,991
Senior Community Service Employment	680,075	6,584
Community Corrections	588,340	55,545
Homemaker Services for the Elderly	300,228	23,132
Foster Grandparents	287,313	10,094
Social Services Block Grant	183,291	14,122
Weatherization Assistance	165,299	5,670
Emergency Food Assistance	88,114	6,789
Other	1,745,472	5,330
Support services:		
Food service	1,293,289	97,718
State Appropriations, Agency and other	250,407	11,694
Total	\$ 35,025,829	\$ 1,508,007
Net position - beginning of year		
Net position - end of year		

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

Revenues		
Charges for Services and Other Income	Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
\$ 2,200	\$ 13,444,565	\$ 1,468,635
-	5,823,528	(1,107,283)
4,291,552	-	(56,891)
-	3,966,576	(1,113)
1,479,987	304,706	(104,219)
8,953	1,686,531	94,139
-	686,667	8
44,324	603,399	3,838
277,865	-	(45,495)
-	297,408	1
-	197,209	(204)
-	170,970	1
-	94,904	1
1,769,672	1,185,621	1,204,491
1,470,199	-	79,192
111,409	242,352	91,660
<u>\$ 9,456,161</u>	<u>\$ 28,704,436</u>	1,626,761
		6,996,408
		<u>\$ 8,623,169</u>

South Central Human Resource Agency Balance Sheet – Governmental Funds

<i>June 30, 2021</i>	General Fund	Children's Services Fund	Nutrition Fund
Assets			
Cash and cash equivalents	\$ 3,052,285	\$ -	\$ 71,874
Receivables			
Funding sources and others	8,784	1,117,066	157,860
Due from other funds	-	-	-
Inventories - kitchen supplies	-	-	49,218
Prepaid expenses	87,715	70,930	19,682
Restricted assets			
Cash and cash equivalents	11,048	230,188	-
Inventories - food commodities	-	-	667,761
Total assets	\$ 3,159,832	\$ 1,418,184	\$ 966,395
Liabilities			
Accounts payable	\$ 362,324	\$ 490,300	\$ 79,964
Accrued payroll	53,799	107,583	75,903
Accrued payroll taxes and employee benefits	174,083	148,260	20,855
Due to funding sources	686	16,053	-
Due to other funds	191,447	273,059	724,801
Due to CRPP client	-	-	-
Deferred income	-	84,290	-
Accrued leave	96,025	205,856	64,872
Accrued audit fee	36,000	-	-
Total liabilities	914,364	1,325,401	966,395
Fund Balances			
Non-spendable	87,715	-	68,900
Assigned	-	92,783	-
Unassigned	2,157,753	-	(68,900)
Total fund balances	2,245,468	92,783	-
Total liabilities and fund balances	\$ 3,159,832	\$ 1,418,184	\$ 966,395

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

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,124,159
1,189,782	189,184	2,662,676
1,263,038	-	1,263,038
-	-	49,218
36,320	16,104	230,751
2,013,212	9	2,254,457
-	-	667,761
<u>\$ 4,502,352</u>	<u>\$ 205,297</u>	<u>\$ 10,252,060</u>
\$ 24,068	\$ 7,751	\$ 964,407
134,714	63,998	435,997
48,162	19,706	411,066
55,234	-	71,973
-	73,731	1,263,038
4,114,390	-	4,114,390
20,000	-	104,290
105,784	40,111	512,648
-	-	36,000
4,502,352	205,297	7,913,809
36,320	16,104	209,039
-	-	92,783
(36,320)	(16,104)	2,036,429
-	-	2,338,251
<u>\$ 4,502,352</u>	<u>\$ 205,297</u>	<u>\$ 10,252,060</u>

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

For the year ended June 30, 2021

Total fund balance - governmental funds	\$	2,338,251
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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	\$	7,099,681	
Accumulated depreciation		(2,500,028)	4,599,653

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	(28,664)		
Deferred outflows related to pension		673,452	644,788

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

Note payable	(865,597)		
Capital lease obligation		(2,170)	
Net pension asset		1,908,244	1,040,477

Net position of governmental activities	\$	8,623,169
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The accompanying notes are an integral part of these financial statements.

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

<i>For the year ended June 30, 2021</i>	General Fund	Children's Services Fund	Nutrition Fund
Revenues			
Grantor contributions	\$ -	\$ 13,444,565	\$ 304,706
Performance based income	-	-	1,469,021
Program income	1,823,140	-	1,481,165
State and local contributions	242,352	-	-
Other income	176,586	2,200	-
Total revenues	2,242,078	13,446,765	3,254,892
Expenditures			
Salaries	1,029,964	5,890,118	669,715
Fringe benefits	279,075	2,164,270	185,770
Participant costs	4,506	57,766	16,778
Food	17,935	288,226	2,108,702
Indirect costs	11,694	845,611	137,132
Contract services	31,380	72,935	689
Insurance and bonding	62,554	24,175	6,052
Maintenance and repairs	43,467	151,086	13,369
Office supplies	26,095	2,289	1,150
Other	238,586	2,295,454	6,291
Postage	4,959	4,878	1,062
Printing and duplication	2,152	4,067	29
Professional services	119,012	157,158	4,944
Program supplies	30,737	1,014,606	5,950
Rent and leases	91,855	382,142	25,847
Telephone	16,780	141,707	3,625
Transportation	13,213	13,253	2,683
Travel - in area	998	21,971	35,380
Travel - out of area	37,185	33,957	-
Utilities	55,103	146,027	28,724
Vehicles and equipment	57,564	392,286	1,000
Total expenditures	2,174,814	14,103,982	3,254,892
Excess of revenues over (under) expenditures	67,264	(657,217)	-
Other Financing Sources			
Proceeds from direct borrowing	150,009	750,000	-
Net change in fund balances	217,273	92,783	-
Fund balances - beginning	2,028,195	-	-
Fund balances - ending	\$ 2,245,468	\$ 92,783	\$ -

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

Community Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 17,171,933	\$ 1,748,974	\$ 32,670,178
444,486	-	1,913,507
-	44,324	3,348,629
-	46,837	289,189
8,953	-	187,739
17,625,372	1,840,135	38,409,242
1,844,968	751,655	10,186,420
575,842	210,141	3,415,098
9,686,121	647,596	10,412,767
-	1,300	2,416,163
436,017	77,553	1,508,007
111,376	-	216,380
14,873	3,332	110,986
6,422	388	214,732
22,332	5,687	57,553
4,095,802	17,023	6,653,156
15,536	2,478	28,913
198	1,903	8,349
67,227	10,264	358,605
32,939	17,448	1,101,680
294,018	43,605	837,467
61,254	15,551	238,917
4,247	2,292	35,688
32,620	2,877	93,846
196	8,813	80,151
64,673	4,782	299,309
258,711	15,447	725,008
17,625,372	1,840,135	38,999,195
-	-	(589,953)
-	-	900,009
-	-	310,056
-	-	2,028,195
\$ -	\$ -	\$ 2,338,251

**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, 2021

Total net change in fund balance - governmental funds	\$	310,056
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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	2,519,146	
Depreciation expense	(321,442)	2,197,704

Pension expense in the statement of activities does not represent current financial resources and is not reported as a decrease in expenditures in governmental funds. (19,993)

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

Proceeds from notes payable	(900,009)	
Principal payments on note payable	34,412	
Principal payments on capital lease obligation	4,591	(861,006)

Change in net position of governmental activities	\$	1,626,761
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The accompanying notes are an integral part of these financial statements.

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

<i>For the year ended June 30, 2021</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Program income	\$ 1,946,842	\$ 1,946,842	\$ 1,823,140	\$ (123,702)
State and local contributions	242,257	242,257	242,352	95
Other income	261,859	261,859	176,586	(85,273)
Total revenues	2,450,958	2,450,958	2,242,078	(208,880)
Expenditures				
Salaries	1,041,760	1,041,760	1,029,964	11,796
Fringe benefits	290,918	290,918	279,075	11,843
Participant costs	4,725	4,725	4,506	219
Food	12,695	12,695	17,935	(5,240)
Indirect costs	11,697	11,697	11,694	3
Contract services	32,300	32,300	31,380	920
Insurance and bonding	78,850	78,850	62,554	16,296
Maintenance and repairs	58,345	58,345	43,467	14,878
Office supplies	30,014	30,014	26,095	3,919
Other	249,797	249,797	238,586	11,211
Postage	5,380	5,380	4,959	421
Printing and duplication	2,375	2,375	2,152	223
Professional services	114,900	114,900	119,012	(4,112)
Program supplies	79,698	79,698	30,737	48,961
Rent and leases	97,265	97,265	91,855	5,410
Telephone	17,765	17,765	16,780	985
Transportation	16,000	16,000	13,213	2,787
Travel - in area	1,971	1,971	998	973
Travel - out of area	59,083	59,083	37,185	21,898
Utilities	64,700	64,700	55,103	9,597
Vehicles and equipment	81,820	81,820	57,564	24,256
Total expenditures	2,352,058	2,352,058	2,174,814	177,244
Excess of revenues over expenditures	98,900	98,900	67,264	31,636
Other Financing Sources (Uses)				
Proceeds from direct borrowings	-	-	150,009	(150,009)
Total other financing sources (uses)	-	-	150,009	(150,009)
Net change in fund balances	98,900	98,900	217,273	(118,373)
Fund balances - beginning	2,028,195	2,028,195	2,028,195	-
Fund balances - ending	\$ 2,127,095	\$ 2,127,095	\$ 2,245,468	\$ (118,373)

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, 2021</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 15,329,193	\$ 15,329,193	\$ 13,444,565	\$ (1,884,628)
Other income	2,500	2,500	2,200	(300)
Total revenues	15,331,693	15,331,693	13,446,765	(1,884,928)
Expenditures				
Salaries	6,116,825	6,116,825	5,890,118	226,707
Fringe benefits	2,386,603	2,386,603	2,164,270	222,333
Participant costs	77,876	77,876	57,766	20,110
Food	708,346	708,346	288,226	420,120
Indirect costs	994,752	994,752	845,611	149,141
Contract services	62,240	62,240	72,935	(10,695)
Insurance and bonding	28,516	28,516	24,175	4,341
Maintenance and repairs	153,774	153,774	151,086	2,688
Nonexpendable supplies	1,454	1,454	-	1,454
Office supplies	4,877	4,877	2,289	2,588
Other	2,421,247	2,421,247	2,295,454	125,793
Postage	4,558	4,558	4,878	(320)
Printing and duplication	4,123	4,123	4,067	56
Professional services	162,628	162,628	157,158	5,470
Program supplies	957,817	957,817	1,014,606	(56,789)
Rent and leases	441,005	441,005	382,142	58,863
Telephone	160,696	160,696	141,707	18,989
Transportation	13,687	13,687	13,253	434
Travel - in area	52,118	52,118	21,971	30,147
Travel - out of area	53,433	53,433	33,957	19,476
Utilities	147,426	147,426	146,027	1,399
Vehicles and equipment	391,027	391,027	392,286	(1,259)
Total expenditures	15,345,028	15,345,028	14,103,982	1,241,046
Excess of revenues over expenditures	(13,335)	(13,335)	(657,217)	643,882
Other Financing Sources (Uses)				
Proceeds from direct borrowings	-	-	750,000	(750,000)
Net change in fund balances	(13,335)	(13,335)	92,783	(106,118)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ (13,335)	\$ (13,335)	\$ 92,783	\$ (106,118)

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

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

<i>For the year ended June 30, 2021</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 563,656	\$ 563,656	\$ 304,706	\$ (258,950)
Performance based income	913,988	913,988	1,469,021	555,033
Program income	1,394,316	1,394,316	1,481,165	86,849
Other income	5,000	5,000	-	(5,000)
Total revenues	2,876,960	2,876,960	3,254,892	377,932
Expenditures				
Salaries	595,550	595,550	669,715	(74,165)
Fringe benefits	194,028	194,028	185,770	8,258
Participant costs	19,260	19,260	16,778	2,482
Food	1,782,721	1,782,721	2,108,702	(325,981)
Indirect costs	142,509	142,509	137,132	5,377
Insurance and bonding	8,547	8,547	6,052	2,495
Maintenance and repairs	17,550	17,550	13,369	4,181
Nonexpendable supplies	960	960	-	960
Office supplies	3,600	3,600	1,150	2,450
Other	4,079	4,079	6,291	(2,212)
Postage	1,280	1,280	1,062	218
Printing and duplication	200	200	29	171
Professional services	6,390	6,390	4,944	1,446
Program supplies	17,000	17,000	5,950	11,050
Rent and leases	39,482	39,482	25,847	13,635
Telephone	3,840	3,840	3,625	215
Transportation	2,800	2,800	2,683	117
Travel - in area	24,196	24,196	35,380	(11,184)
Travel - out of area	1,002	1,002	-	1,002
Utilities	29,000	29,000	28,724	276
Vehicles and equipment	1,000	1,000	1,000	-
Total expenditures	2,897,054	2,897,054	3,254,892	(357,838)
Excess of revenues over expenditures	(20,094)	(20,094)	-	(20,094)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ (20,094)	\$ (20,094)	\$ -	\$ (20,094)

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, 2021</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 18,985,388	\$ 18,985,388	\$ 17,171,933	\$ (1,813,455)
Performance based income	542,708	542,708	444,486	(98,222)
Other income	9,000	9,000	8,953	(47)
<hr/>				
Total revenues	23,502,096	23,502,096	17,625,372	(5,876,724)
Expenditures				
Salaries	1,962,791	1,962,791	1,844,968	117,823
Fringe benefits	683,023	683,023	575,842	107,181
Participant costs	9,596,910	9,596,910	9,686,121	(89,211)
Food	336	336	-	336
Indirect costs	590,123	590,123	436,017	154,106
Contract services	1,125,105	1,125,105	111,376	1,013,729
Insurance and bonding	24,890	24,890	14,873	10,017
Maintenance and repairs	11,660	11,660	6,422	5,238
Nonexpendable supplies	2,667	2,667	-	2,667
Office supplies	31,625	31,625	22,332	9,293
Other	4,150,774	4,150,774	4,095,802	54,972
Postage	24,394	24,394	15,536	8,858
Printing and duplication	744	744	198	546
Professional services	113,383	113,383	67,227	46,156
Program supplies	71,529	71,529	32,939	38,590
Rent and leases	310,210	310,210	294,018	16,192
Telephone	68,958	68,958	61,254	7,704
Transportation	13,005	13,005	4,247	8,758
Travel - in area	70,756	70,756	32,620	38,136
Travel - out of area	66,688	66,688	196	66,492
Utilities	65,055	65,055	64,673	382
Vehicles and equipment	389,051	389,051	258,711	130,340
<hr/>				
Total expenditures	19,373,677	19,373,677	17,625,372	1,748,305
Excess of revenues over expenditures	4,128,419	4,128,419	-	4,128,419
Fund balances - beginning	-	-	-	-
<hr/>				
Fund balances - ending	\$ 4,128,419	\$ 4,128,419	\$ -	\$ 4,128,419

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Agency was formed on July 11, 1973 in accordance with the *Human Resource Agency Act of 1973*. This legislation established four metropolitan and up to nine rural human resource agencies to deliver human resource programs across the State of Tennessee. The Agency was chartered as a public non-profit corporation on February 19, 1975. The Agency delivers a variety of programs to economically disadvantaged, elderly, and disabled individuals in 13 counties of south central Tennessee: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The Agency is governed by a 27 member Governing Board. The Governing Board consists of the county mayor or county executive of each county, three mayors of municipalities within the district, eleven community representatives, and one state senator and one state representative whose district lies within the area served by the Agency.

Government-Wide and Fund Financial Statements

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)

Government-Wide and Fund Financial Statements (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.

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

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

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)

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

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (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, 2021 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 another 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, 2021.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2021.

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.

Categories and Classification of Fund Equity

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

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

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

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority. The governing Board is the highest level of decision-making authority for the Agency that can, by taking action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation.

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund balances at June 30, 2021 are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid expenses	\$ 87,715	\$ -	\$ 19,682	\$ 36,320	\$ 16,104	\$ 159,821
Food Service Inventory	-	-	42,583	-	-	42,583
Ensure Inventory	-	-	6,635	-	-	6,635
Assigned:						
Unspent loan proceeds from direct borrowings	-	92,783	-	-	-	92,783
Unassigned	2,157,753	-	(68,900)	(36,320)	(16,104)	2,036,429
Total	\$ 2,245,468	\$ 92,783	\$ -	\$ -	\$ -	\$ 2,338,251

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.

Recently Issued and Implemented Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for the fiscal years beginning after December 15, 2019. The implementation of this statement had no impact on the financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement 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 this Statement are effective for reporting

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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. The implementation of this statement had no impact on the financial statements.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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 this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor 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 this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement 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. This Statement 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 this Statement are effective for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement 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. This Statement 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 this Statement are effective for reporting periods beginning after December 15, 2021.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance 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. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by 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 and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, 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 this Statement 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. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement 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 plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary 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 (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

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

South Central Human Resource Agency Notes to Financial Statements

Note 2: 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, 2021, the carrying amount of the Agency's deposits was \$5,378,616, which were fully insured or collateralized.

Account Receivables

Receivables from grantor agencies and others included on the accompanying financial statements as of June 30, 2021, are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Other Government	Total
Tennessee Housing Development	\$ -	\$ -	-	\$ 500,350	\$ -	\$ 500,350
Tennessee Dept of Human Svs	-	-	-	257,512	-	257,512
Senior Service America, Inc.	-	-	-	-	71,882	71,882
St of TN Dept of Agriculture	-	-	-	44,090	-	44,090
U.S. Dept of Health and Human Services	-	1,117,066	-	-	-	1,117,066
Other	8,784	-	3,123	-	-	11,907
South Central TN Development District	-	-	154,737	387,830	-	542,567
St of TN Dept. of Mental Health & Substance Abuse Services	-	-	-	-	33,309	33,309
St of Tennessee Dept of Corrections	-	-	-	-	41,423	41,423
Corporation for National and Community Service	-	-	-	-	42,570	42,570
Total receivables	\$ 8,784	\$ 1,117,066	\$ 157,860	\$ 1,189,782	\$ 189,184	\$ 2,662,676

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

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Activity

Due to/from other funds at June 30, 2021 consisted of the following amounts:

Due to	Due from				Total
	General Fund	Children's Services Fund	Nutrition Fund	Other Governmental	
Community Services	\$ (191,447)	\$ (273,059)	\$ (724,801)	\$ (73,731)	\$ (1,263,038)

Capital Assets

Capital asset activity for the year ended June 30, 2021 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	2,161,547	-	2,260,528
Total capital assets not being depreciated	131,281	2,161,547	-	2,292,828
Capital assets being depreciated:				
Buildings and improvements	2,825,891	-	-	2,825,891
Vehicles	1,284,477	240,940	-	1,525,417
Equipment	338,886	116,659	-	455,545
Total capital assets being depreciated	4,449,254	357,599	-	4,806,853
Less accumulated depreciation for:				
Buildings and improvements	1,028,009	106,260	-	1,134,269
Vehicles	911,196	181,251	-	1,092,447
Equipment	239,381	33,931	-	273,312
Total accumulated depreciation	2,178,586	321,442	-	2,500,028
Total capital assets being depreciated, net	2,270,668	36,157	-	2,306,825
Total governmental activities capital assets, net	\$ 2,401,949	\$ 2,197,704	\$ -	\$ 4,599,653

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

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

Governmental Activities

General Fund	\$ 102,242
Children's Services Fund	183,773
Nutrition Fund	25,027
Community Service Fund	10,400
<hr/>	
Total	\$ 321,442
<hr/>	

Lease Agreements

The Agency leases real estate, vehicles, and equipment for operation of its programs. Rent for the year ended June 30, 2021 totaled \$837,467 including allocated building costs of \$174,143. 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 \$4,114,390 for the year ended June 30, 2021 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.

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long Term Debt

During the year ended June 30, 2021, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance July 1, 2020	Proceeds	Retirements	Balance June 30, 2021	Amounts Due Within One Year
Compensated absences:					
General Fund	\$ 76,806	\$ 86,964	\$ 67,745	\$ 96,025	\$ -
Children's Services	170,254	336,285	300,683	205,856	-
Nutrition	60,180	34,125	29,433	64,872	-
Community Services	93,524	90,918	78,658	105,784	-
Other Governmental	25,815	40,036	25,740	40,111	-
Total	426,579	588,328	502,259	512,648	-
Capital leases from direct borrowings:					
Fork lift lease	6,415	-	4,245	2,170	2,170
Phone lease	346	-	346	-	-
Total	6,761	-	4,591	2,170	2,170
Note from direct borrowings:					
Lawrence Head Start building	-	750,000	4,932	745,068	29,999
Chiller	-	150,009	29,480	120,529	28,873
Total	-	900,009	34,412	865,597	58,872
Total long-term liabilities	\$ 433,340	\$ 1,488,337	\$ 541,262	\$ 1,380,415	\$ 61,042

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

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

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

As of June 30, 2021, assets recorded under capital leases were \$20,317 with accumulated depreciation of \$18,624. Amortization expense for assets under capital leases was \$1,693 for the year ended June 30, 2021 and is included in depreciation expense.

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long Term Debt (continued)

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

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2022	\$ 2,170	\$ 19
	\$ 2,170	\$ 19

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

Chiller - In March 2021 the Agency entered into a sixty-month agreement with First National Bank for the purchase of a new chiller. The note has an implicit interest rate of 2.35% and calls for monthly payments of \$2,647. Note payments are made with state appropriation dollars.

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

Lawrence Head Start building -

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2022	\$ 29,999	\$ 17,187
2023	30,711	16,475
2024	31,441	15,745
2025	32,188	14,998
2026	32,952	14,234
Thereafter	587,777	24,049
	\$ 745,068	\$ 102,688

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long Term Debt (Continued)

Chiller -

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2022	\$ 28,873	\$ 2,889
2023	29,535	2,227
2024	30,212	1,550
2025	30,905	857
2026	1,004	179
	\$ 120,529	\$ 7,702

Note 3: DEFERRED CONTRIBUTION PLANS

State of Tennessee 401(k) Retirement Funds

The Agency has adopted the Section 401(k) Cash or Deferred State of Tennessee Deferred Compensation Plan II (“401(k)”) administered by the State of Tennessee Treasurer effective July 1, 2017. Employees are eligible to participate in the 401(k) on the first day of employment. Employee contributions in any taxable year are also subject to certain statutory limitations. Employees may also contribute amounts representing distributions from other qualified defined benefit or contribution plans (“rollovers”). Employee contributions are invested in the participant’s individual account after each payroll period and are fully vested in one year. The Agency only matches employees who opted out of the Tennessee Consolidated Retirement Systems Plan (TCRS) when the Agency joined the plan on July 1, 2017. Employees hired after July 1, 2017 are required to participate in TCRS if eligible and do not receive matching in the 401(k) plan. The Agency matches up to 8% for those who opted out of TCRS. Employee contributions to the 401(k) totaled \$306,789 for the year ended June 30, 2021.

State of Tennessee 457(b) Retirement Funds

The Agency adopted the Tennessee State Employees Deferred Compensation Plan and Trust for Section 457(b) Eligible Deferred Compensation Plan a (“457(b)”) administered by the State of Tennessee Treasurer effective July 1, 2017. Employees are eligible to participate in the 457(b) on the first day of employment. Employee contributions in any taxable year are also subject to certain statutory limitations. Employees may also contribute amounts representing distributions from other qualified defined contribution plans (“rollovers”). Employee contributions are invested in the participant’s individual account after each payroll period and are fully vested in one year. The Agency does not match employee contributions.

South Central Human Resource Agency Notes to Financial Statements

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.

Employees covered by benefit terms. At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	68
Active employees	<u>211</u>
Total	<u><u>287</u></u>

South Central Human Resource Agency Notes to Financial Statements

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (continued)

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, 2021, the employer contributions for the Agency was \$361,850 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, 2020, 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, 2020 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.

The actuarial assumptions used in the June 30, 2020 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

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

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

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	Plan Fiduciary Net	Net Pension
	Liability	Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 1,658,994	\$ 3,583,819	\$ (1,924,825)
Changes for the year:			
Service cost	674,660	-	674,660
Interest	167,787	-	167,787
Differences between expected and actual experience	6,998	-	6,998
Contributions - employer	-	328,630	(328,630)
Contributions - employee	-	328,630	(328,630)
Net investment income	-	192,679	(192,679)
Benefit payments, including refunds of employee contributions	(38,689)	(38,689)	-
Administrative expense	-	(17,075)	17,075
Other changes	-	-	-
Net changes	810,756	794,175	16,581
Balances at June 30, 2020	\$ 2,469,750	\$ 4,377,994	\$ (1,908,244)

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)	\$ (1,308,046)	\$ (1,908,244)	\$ (2,322,260)

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

Pension expense. For the year ended June 30, 2021, the Agency recognized negative pension expense of \$19,993.

Deferred outflows and deferred inflows or resources. For the year ended June 30, 2021, 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)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 602,290	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings of pension plan investments	71,162	28,664
	<u>\$ 673,452</u>	<u>\$ 28,664</u>

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,	
2022	\$ 80,192
2023	95,162
2024	100,194
2025	101,403
2026	83,613
Thereafter	184,224

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.

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: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Agency. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects of the financial markets, and (v) the effects of the economy overall, all of which are uncertain as of March 21, 2022.

South Central Human Resource Agency Notes to Financial Statements

Note 9: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 21, 2022, the date these financial statements were available to be issued.

Note 10: ONGOING INVESTIGATION

Certain irregularities were discovered in the Agency's administration of a Workforce Innovation and Opportunity Act (WIOA) Grant during a routine monitoring visit by the South Central Tennessee Development District. The matter is currently under investigation by the Comptroller of the Treasury for the State of Tennessee. While the Agency has conducted its own investigation into this matter and believes this matter has been resolved, the ultimate resolution of the ongoing investigation will not be known until the investigation is complete.

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

<i>June 30,</i>	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 674,660	\$ 574,403	\$ 68	\$ 414	\$ 1,223	\$ 1,218	\$ 1,234
Interest	167,787	101,858	12,224	11,534	10,910	10,843	10,746
Changes of benefit terms	-	-	-	-	-	-	-
experience	6,998	162,280	666,067	12,031	5,801	(5,950)	(7,493)
Changes of assumptions	-	-	-	2,470	-	-	-
Benefit payments, including refunds of employee contributions	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Net change in total pension liability	810,756	818,364	665,828	16,402	10,373	3,229	1,017
Total pension liability - beginning	1,658,994	840,630	174,802	158,400	148,027	144,798	143,781
Total pension liability - ending (a)	\$ 2,469,750	\$ 1,658,994	\$ 840,630	\$ 174,802	\$ 158,400	\$ 148,027	\$ 144,798
Plan Fiduciary Net Position							
Contributions - employer	\$ 328,630	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions - member	328,630	286,310	235,265	-	-	-	-
Net investment income	192,679	229,809	198,808	221,395	50,710	57,285	264,954
Benefit payments, including refunds of employee contributions	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Administrative expense	(17,075)	(17,176)	(16,470)	-	-	-	(119)
Other	-	-	8,099	-	-	-	-
Net change in plan fiduciary net position	794,175	765,075	648,437	211,348	43,149	54,403	261,365
Plan net position - beginning	3,583,819	2,818,744	2,170,307	1,958,959	1,915,810	1,861,407	1,600,042
Plan net position - ending (b)	\$ 4,377,994	\$ 3,583,819	\$ 2,818,744	\$ 2,170,307	\$ 1,958,959	\$ 1,915,810	\$ 1,861,407
Net pension liability (asset) - ending (a) - (b)	\$ (1,908,244)	\$ (1,924,825)	\$ (1,978,114)	\$ (1,995,505)	\$ (1,800,559)	\$ (1,767,783)	\$ (1,716,609)
Plan fiduciary net position as a percentage of the total pension	177.26%	216.02%	335.31%	1241.58%	1236.72%	1294.23%	1285.52%
Covered payroll**	\$ 6,572,544	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of Covered payroll	-29.03%	-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>	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 361,850	\$ 328,630	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially	361,850	328,630	286,309	235,266	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$7,234,724	\$6,572,544	\$5,726,127	\$4,705,268	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	5.00%	5.00%	5.00%	5.00%	N/A	N/A	N/A	N/A

Notes to Schedule:

Actuarially determined contribution rates for the year ended June 30, 2021 are based on the results of the June 30, 2019 actuarial valuation. Detailed below are the methods and assumptions used in the June 30, 2019 actuarial valuation.

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period (years)	Various
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 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 of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP 2018 (static projection to 6 years beyond the valuation date)
Cost of living adjustments	2.25 percent, if provided

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
Supplementary Information
Combining Balance Sheet – Other Governmental Funds**

<i>June 30, 2021</i>	Senior Services Fund	Justice Services Fund	Total Other Governmental Funds
Assets			
Receivables			
Funding sources and others	\$ 114,452	\$ 74,732	\$ 189,184
Prepaid expenses	7,501	8,603	16,104
Restricted assets			
Cash and cash equivalents	9	-	9
Total assets	\$ 121,962	\$ 83,335	\$ 205,297
Liabilities			
Accounts payable	\$ 211	\$ 7,540	\$ 7,751
Accrued payroll	44,765	19,233	63,998
Accrued payroll taxes and employee benefits	3,348	16,358	19,706
Due to other funds	60,389	13,342	73,731
Accrued leave	13,249	26,862	40,111
Total liabilities	121,962	83,335	205,297
Fund Balances			
Non-spendable	7,501	8,603	16,104
Unassigned	(7,501)	(8,603)	(16,104)
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 121,962	\$ 83,335	\$ 205,297

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

<i>For the year ended June 30, 2021</i>	Senior Services Fund	Justice Services Fund	Total Other Governmental Funds
Revenues			
Grantor contributions	\$ 1,019,760	\$ 729,214	\$ 1,748,974
Program income	-	44,324	44,324
State and local contributions	-	46,837	46,837
Total revenues	1,019,760	820,375	1,840,135
Expenditures			
Salaries	293,907	457,748	751,655
Fringe benefits	36,728	173,413	210,141
Participant costs	602,422	45,174	647,596
Food	1,300	-	1,300
Indirect costs	19,208	49,125	68,333
Insurance and bonding	919	2,413	3,332
Maintenance and repairs	194	194	388
Office supplies	1,115	4,572	5,687
Other	18,180	8,063	26,243
Postage	2,177	301	2,478
Printing and duplication	1,903	-	1,903
Professional services	4,168	6,096	10,264
Program supplies	4,855	12,593	17,448
Rent and leases	11,334	32,271	43,605
Telephone	6,290	9,261	15,551
Transportation	362	1,930	2,292
Travel - in area	-	2,877	2,877
Travel - out of area	-	8,813	8,813
Utilities	596	4,186	4,782
Vehicles and equipment	14,102	1,345	15,447
Total expenditures	1,019,760	820,375	1,840,135
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, 2021</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 1,110,042	\$ 1,110,042	\$ 1,019,760	\$ (90,282)
Expenditures				
Salaries	299,235	299,235	293,907	5,328
Fringe benefits	43,447	43,447	36,728	6,719
Participant costs	614,632	614,632	602,422	12,210
Food	4,775	4,775	1,300	3,475
Indirect costs	26,095	26,095	19,208	6,887
Insurance and bonding	1,140	1,140	919	221
Maintenance and repairs	1,160	1,160	194	966
Nonexpendable supplies	50	50	-	50
Office supplies	3,080	3,080	1,115	1,965
Other	34,817	34,817	18,180	16,637
Postage	3,415	3,415	2,177	1,238
Printing and duplication	4,751	4,751	1,903	2,848
Professional services	6,353	6,353	4,168	2,185
Program supplies	5,552	5,552	4,855	697
Rent and leases	16,390	16,390	11,334	5,056
Telephone	7,450	7,450	6,290	1,160
Transportation	2,490	2,490	362	2,128
Travel - in area	1,491	1,491	-	1,491
Travel - out of area	12,640	12,640	-	12,640
Utilities	602	602	596	6
Vehicles and equipment	20,477	20,477	14,102	6,375
Total expenditures	1,110,042	1,110,042	1,019,760	90,282
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, 2021</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 784,787	\$ 784,787	\$ 729,214	\$ (55,573)
Program income	46,752	46,752	44,324	(2,428)
State and local contributions	62,804	62,804	46,837	(15,967)
Other income	2,450	2,450	-	(2,450)
Total revenues	896,793	896,793	820,375	(76,418)
Expenditures				
Salaries	475,257	475,257	457,748	17,509
Fringe benefits	187,078	187,078	173,413	13,665
Participant costs	54,770	54,770	45,174	9,596
Food	(2,868)	(2,868)	-	(2,868)
Indirect costs	67,763	67,763	49,125	18,638
Insurance and bonding	3,416	3,416	2,413	1,003
Maintenance and repairs	96	96	194	(98)
Office supplies	4,551	4,551	4,572	(21)
Other	2,856	2,856	8,063	(5,207)
Postage	511	511	301	210
Printing and duplication	10	10	-	10
Professional services	6,602	6,602	6,096	506
Program supplies	15,627	15,627	12,593	3,034
Rent and leases	34,146	34,146	32,271	1,875
Telephone	9,400	9,400	9,261	139
Transportation	3,000	3,000	1,930	1,070
Travel - in area	3,120	3,120	2,877	243
Travel - out of area	11,070	11,070	8,813	2,257
Utilities	3,600	3,600	4,186	(586)
Vehicles and equipment	1,810	1,810	1,345	465
Total expenditures	881,815	881,815	820,375	61,440
Excess of revenues over expenditures	14,978	14,978	-	14,978
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ 14,978	\$ 14,978	\$ -	\$ 14,978



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

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRIcpa.com

**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, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report dated thereon March 21, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

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*.

South Central Human Resource Agency's Response to Findings

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Enterprise, Alabama

March 21, 2022



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

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRIcpa.com

**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, 2021. 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 the 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 programs for the year ended June 30, 2021.

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
March 21, 2022

South Central Human Resource Agency
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct programs:				
Head Start*	93.600	04CH010668-03	\$ -	\$ 9,421,184
COVID-19 Head Start*	93.600	COVID-19 04CH010668-03-C3	-	563,452
Head Start*	93.600	04HP000412-01	-	360,340
Head Start*	93.600	04HP000412-02	-	2,249,115
COVID-19 Head Start*	93.600	COVID-19 04HP000412-01-C3	-	57,501
Head Start*	93.600	04HP001704	-	520,860
Total direct programs/Subtotal for 93.600/Subtotal Head Start Cluster				- 13,172,452
Passed through Tennessee Housing Development Agency				
Low-Income Home Energy Assistance	93.568	LIHEAP-20-15	-	1,407,226
Low-Income Home Energy Assistance	93.568	LIHEAP-21-15	-	3,083,011
COVID-19 Low-Income Home Energy Assistance	93.568	COVID-19 2001TNLIEA	-	1,107,284
COVID-19 Low-Income Home Energy Assistance	93.568	COVID-19 2001TNE5C3	-	1,130,579
Low-Income Home Energy Assistance	93.568	LWx-20-11	-	88,851
Low-Income Home Energy Assistance	93.568	LWx-18-11	-	113,636
Subtotal for 93.568				- 6,930,587
Passed through the State of Tennessee Department of Human Services				
Community Services Block Grant	93.569	Z-20-49116	-	663,144
Community Services Block Grant	93.569	Z-21-49116	-	384,745
COVID-19 Community Services Block Grant	93.569	COVID-19 Z-22-49216	-	638,643
Subtotal for 93.569				- 1,686,532
Social Services Block Grant	93.667	Z-20-49316	-	51,440
Social Services Block Grant	93.667	Z-21-49316	-	145,769
Subtotal for 93.667				- 197,209
Total pass-through				- 8,814,328
Total U.S. Department of Health and Human Services				- 21,986,780
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	-	272,508
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-02420	-	22,094
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-02721	-	72,810
Subtotal for 10.568				- 94,904

(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, 2021**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
Emergency Food Assistance Program (n)	10.569	N/A	-	530,125
Total Food Distribution Cluster			-	625,029
Total U.S. Department of Agriculture			-	897,537
Corporation for National and Community Service				
Direct Program				
Retired Senior Volunteer Program	94.002	18SRSTN003	-	35,685
Foster Grandparent Program**	94.011	20SFSTN001	-	272,554
Foster Grandparent Program**	94.011	17SFSTN003	-	24,854
Subtotal for 94.011/ Foster Grandparent/Senior Companion Cluster			-	297,408
Total Corporation for National and Community Service			-	333,093
U.S. Department of Labor				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	TN2999	-	686,667
U.S. Department of Energy				
Passed through Tennessee Housing Development Agency				
Weatherization Assistance for Low-Income Persons	81.042	WAP-19-11	-	170,970
Total expenditures of federal awards			\$ -	\$24,075,047
State Grantor/Program Title	CSFA	Contract Number	Passed Through to Subrecipients	Expenditures
State of Tennessee Department of Human Services	N/A	Direct Appropriation	\$ -	\$ 142,635
State of Tennessee Department of Corrections	N/A	67280	-	533,366
State of TN Dept. of Mental Health and Substance Abuse Services (Felony Recovery Court - Lincoln)	N/A	33901	-	38,912
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lincoln)	N/A	33901	-	70,720
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lawrence)	N/A	33901	-	139,969
Total expenditures of state financial assistance			\$ -	\$ 925,602

*Head Start Cluster

**Foster Grandparent/Senior Companion Cluster

***Food Distribution Cluster

(n) Non-cash assistance

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

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

Note 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) summarizes the federal expenditures of South Central Human Resource Agency (the "Agency") under programs of the federal government for the year ended June 30, 2021. The amounts reported as federal expenditures were obtained from the Agency's general ledger. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position and changes in net position of the Agency.

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

Clusters

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

Note 2: INDIRECT COST

The Agency has not elected to use the 10% de Minimis cost rate for the year ended June 30, 2021.

Note 3: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

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

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

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

Note 6: CONTINGENCIES

Grant monies received and disbursed by the Agency are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, management does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of June 30, 2021, 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, 2021, the Agency had food commodities totaling \$530,125.

Note 8: SUBRECIPIENTS

The Agency did not provide federal funds to subrecipients for the fiscal year ending June 30, 2021.

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, 2021.

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, 2021.

**South Central Human Resource Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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? | Yes |
| 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 | |

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

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | Yes |

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

Section II – Financial Statements Findings

Item 2021-001 Significant Deficiency in Internal Controls over Administering Workforce Innovation and Opportunity Act (WIOA) Grant

Condition – We noted certain disbursement irregularities in the administration of the WIOA grant. The matter is currently under investigation by the Comptroller of the Treasury for the State of Tennessee.

**South Central Human Resource Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Criteria – 2 CFR §200.303 Internal Controls states, the non-federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause – Inadequate controls allowed certain disbursement irregularities to happen.

Effect – This deficiency could result in fraud and material noncompliance within the WIOA program.

Recommendation – We recommend management review existing controls and implement additional controls to ensure compliance with program regulations.

Management’s Response – Management agrees with finding. See management’s corrective action plan on page 67.

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, 2021**

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

**South Central Human Resource Agency
Corrective Action Plan
For the Year Ended June 30, 2021**

SOUTH CENTRAL HUMAN RESOURCE AGENCY
1437 Winchester Hwy
Fayetteville, TN 37334

Corrective Action Plan

March 19, 2022

The South Central Human Resource Agency respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

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

Audit Period: Fiscal year ended June 30, 2021

The finding from the June 30, 2021 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Item 2021-001 – Significant Deficiency in Internal Controls over Administering Workforce Innovation and Opportunity Act (WIOA) Grant

Recommendation: We recommend management review existing controls and implement additional controls to ensure compliance with program regulations.

Action Taken: Management agrees with the finding. Management has reviewed existing controls and has implemented several action steps to ensure compliance with program regulations. Those action steps include: a summary dismissal of the WIOA Director, updating several key forms, including: WIOA Conflict of Interest, SCHRA Conflict of Interest, WIOA Applicant Reported Conflict of Interest, and the WIOA Work Experience (WEX) checklist, and requiring additional training on our conflict of interest policies. In addition, a new checklist will be implemented to approve potential employers for the WEX program.

Responsible party: Paul T. Rosson, Executive Director
Date of Completion: March 21, 2022

If the Administration for Children & Families has questions regarding this plan, please contact me at (931) 433-7182.

Sincerely yours,

Paul T. Rosson, Executive Director