



South Central Human Resource Agency

FINANCIAL STATEMENTS

June 30, 2023



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**South Central Human Resource Agency
Public Officials
As of June 30, 2023**

Co. Executive Jim Mangubat, Chairman

Co. Mayor Mike Keny, Vice Chairperson

Metro Co. Mayor Sloan Stewart, Secretary

SCHRA BOARD OF DIRECTORS

County	Co. Executive/Co. Mayor
Bedford	Co. Mayor Chad Graham
Coffee	Co. Mayor Gary Cordell
Franklin	Co. Mayor David Alexander
Giles	Co. Executive Melissa Greene
Hickman	Co. Mayor Mark Bentley
Lawrence	Co. Executive T.R. Williams
Lewis	Co. Mayor Jonah Keltner
Lincoln	Co. Mayor Bill Newman
Marshall	Co. Mayor Mike Keny
Maury	Co. Mayor Andy Ogles
Moore	Metro/Co. Mayor Bonnie Lewis
Perry	Co. Mayor John Carroll
Wayne	Co. Executive Jim Mangubat

City Mayors

First Division	Lawrenceburg City Mayor Blake Lay
Second Division	Linden City Mayor Wess Ward
Third Division	Shelbyville City Mayor Wallace Cartwright

State Representatives

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

Additional Members

Low-Income Representative	Robert Williams
Low-Income Representative	Bert Spearman
Low-Income Representative	Dr. Bill Heath
Low-Income Representative	Norma Martinez
Low-Income Representative	Xavier Hamler
Low-Income Representative	Rick Humphrey
Legal Representative	Judge John Damron
Financial Representative	Michael Crane
Education Representative	Charles Sane



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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Central Human Resource Agency (the "Agency") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2023, and the respective changes in financial position and, the respective budgetary comparison for the General Fund, the Children's Services Fund, the Nutrition Fund and the Community Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, and pension related information be presented to supplement the basic financial statements on pages 45 through 46. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the

limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying combining non-major governmental fund financial statements and the 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, the combining non-major governmental fund financial statements and the statements of revenues, expenditures and changes in fund balance - budget and actual for the Senior Services Fund and the Justice Services Fund and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama
January 10, 2024

South Central Human Resource Agency Management's Discussion and Analysis

This discussion is intended to present a broad view of South Central Human Resource Agency's financial position and activities for the fiscal year ended June 30, 2023. This information is provided to comply with *GASB No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The discussion and analysis included in this document contain information regarding social services provided by South Central Human Resource Agency.

Mission Statement

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

Agency Overview

The South Central Human Resource Agency ("SCHRA" or the "Agency") was created July 11, 1973, and chartered as a public, non-profit corporation on February 19, 1975. The Agency's goal is to promote the development of human resources in South Central Tennessee through effective and efficient delivery of human services. From the Agency's central office at 1437 Winchester Highway in Fayetteville, Tennessee, it strives to effectively deliver human service programs and oversee the coordination efforts through its Neighborhood Service Centers located in the thirteen counties served by the Agency: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne. The counties served by SCHRA contain over 6,500 square miles of vastly rural country and supports a population of approximately 481,777 individuals. Across this region in the fiscal year 2023, SCHRA had in place 13 Neighborhood Service Centers, 13 American Job Centers, 17 Head Start Centers, 7 Early Head Start Centers, and 19 congregate meal sites served by 2 commercial kitchens. The Senior Community Employment Program also serves clients in four additional counties: Bledsoe, Grundy, Marion, and Sequatchie. During fiscal year 2023, SCHRA delivered approximately \$33,766,386 of services and employed approximately 575 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, Fayetteville, TN. The replacement value is insured at approximately 4 million dollars. This facility includes a commercial kitchen, office and program facilities, and a storage area for commodities held for distribution. The Agency moved into this building, as its base of operations, in April 2005 and continues to operate from this location. In 2022, the Agency received funding from the Tennessee State Legislature for a new 10,000 sq. ft. warehouse to be added at the central office. This \$1.3 million facility has now been constructed and should be fully operational for our commodities warehouse in December 2023. This will free up several thousand square feet for storage and future office space.

The Agency has worked hard to adapt to meeting the challenges and opportunities of our mission. We continue to work toward the goals outlined in the Agency's strategic plan with a focus on catalyzing resources and expanding services. We continue to improve the Agency's facilities and equipment. In January 2023, the Agency received a matching grant from USDA for the purchase of a new commodities truck costing \$176,000. The agency also purchased a new commodities packing machine for \$85,000. This machine will help greatly with faster sorting and distributions. The Agency also received from USDA a matching grant for equipment improvements in our nutrition program. The grant will provide much-needed kitchen equipment at both of our kitchens. The Agency continues to replace our aging vehicle fleet. This year we were able to purchase a new truck for our facility crew. In August 2023, the Agency celebrated the opening of a new \$2.5 Million Head Start/Early facility in Lawrenceburg, Tennessee. This facility is a major accomplishment for the Head Start Program with over 12,500 square feet for operations. The Agency also continues to renovate the new 5,000 square feet Head Start location in Waynesboro, TN. We are waiting for additional funds from the Regional Head Start Office in Atlanta to finish the project. Additionally, we have also made much needed repairs and maintenance at our other facilities as required by our lease agreements. This will continue to be a focus in the foreseeable future for the Agency. SCHRA management has developed a guiding standard for our current and future facilities that they must be accessible, clean, crisp, and professional. We continue to execute preventative maintenance on our facilities. This will ensure facilities are kept to the above standard. We also continue to make great strides to improve Head Start locations with safety concerns, new playgrounds, and seeking better locations for our centers.

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 2023 follow:

South Central Human Resource Agency Management's Discussion and Analysis

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 986 enrolled and/or terminated children, with 53% receiving age-appropriate preventive dental services and 38 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/Low-Income Home Water Assistance Program

The Low-Income Home Energy Assistance Program ("LIHEAP") and the Low-Income Home Water Assistance Program ("LIHWAP") are 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 and meeting immediate household water and wastewater needs through financial assistance to offset a portion of the cost. Priority for assistance is given to the lowest of income. Priority points are used to determine the amount of assistance which ranges from \$300 to \$650. Energy and crisis assistance is provided to eligible households through direct payment to a utility or propane company. During fiscal year 2023, a total of 15,502 households received assistance. The total amount funded for FY 2023 was \$9,221,440.

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

South Central Human Resource Agency Management's Discussion and Analysis

year 2023, a total of 77,181 congregate meals were served, and 55,117 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 18,641 meals, Family Caregiver provided 936 meals, and Long-Term Care Choices provided 22,600 meals and ARP provided 32,687 home-delivered meals. There were 1,920 private pay clients.

Community Representative Payee Program

The Community Representative Payee Program, funded by client fees, established by the Social Security Administration, offers money management services to assist persons who are incapable of budgeting, paying routine bills, and keeping track of financial matters. Those served must receive Social Security or some type of disability benefit and be certified by a physician or judge to be incapable of money management. During fiscal year 2023, 363 clients were assisted in 32 Tennessee counties and 9 other states. Benefits overseen on behalf of clients for the year totaled \$4,165,522.

Food Service Program

Through the operation of two commercial kitchens, SCHRA provides hot, nutritious meals to programs and individuals for a fee without limited qualifications. This service acts as a vendor to numerous Agency programs as well as the general public. A staff of 12 employees, utilizing 6 vans, delivers centrally prepared food to all thirteen counties in the Agency's service area. Additionally, these kitchens offer professional catering services to provide income to purchase major food service equipment and to help sustain the Agency's congregate meal service for a full five-day week. During fiscal year 2023, these kitchens supplied 225,421 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 2023, 2,370 households received commodities with a total amount of \$389,290 food distributed with 528,328 units of food distributed. 310 volunteers served with a total of 1,284 hours served.

Community Services Block Grant Program

The Community Services Block Grant ("CSBG") Program provides a wide range of services and activities which will have a measurable and potentially major impact on poverty in the community. The Agency received funding for fiscal year 2023 for the operation of its CSBG Program from funds passed through to the Agency by the Tennessee Dept. of Human Services ("DHS"). The CSBG Program ensures access to programs and services by elderly, disabled, and low-income persons through the Neighborhood Service Centers in each of the 13 counties served by the Agency, where experienced personnel assist in meeting the needs of the low-income population. In addition to financial eligibility, the need of service must be established according to the individual or household circumstances, with priority given to the elderly and disabled. During fiscal year 2023, the CSBG Program served 3,099 unduplicated households with 6,994 individuals. The program also aided by processing 16,086 applications for other programs.

South Central Human Resource Agency Management's Discussion and Analysis

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

The Center for Workforce Inclusion ("Title V") Program, funded by Center for Workforce Inclusion powering opportunity for older adults ("CWI"), is designed to assist economically disadvantaged people age 55 and over by providing immediate supplemental income, work experience, and training at an approved training site, with an immediate goal of more permanent, unsubsidized employment. The Title V Program is also dedicated to strengthening families, communities, and the nation by providing older and disadvantaged individuals with opportunities to learn, work and serve others. Clients must be age 55 or above, a legal resident of the county in which they apply and be capable of performing tasks involved in the community service employment assigned as stated in the training site description, and must be economically disadvantaged, as determined by the currently established poverty guidelines - 125% scale. Title V clients who cannot immediately be placed into an unsubsidized job receive assistance on finding a job and/or are assigned to eligible non-profit and government agencies for approximately 20 hours of work per week. In these assignments, clients receive valuable work experience and skill training while assisting their host agency in delivering essential community services. During fiscal year 2023, the Title V Program served a 12-county area with an allocated slot level of 228 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 2023, a total of 8,677.25 hours of service (34,709 units) were provided by the Homemaker Program. Additionally, funding through the State of Tennessee Home and Community Based Program (Options), the Family Caregiver Program and the Statewide Long Term Care Choices Program (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 2023, Options provided 2,437 hrs. (9,748 units), Family Caregiver provided 1,935.75 hrs. (7,743 units), Respite Care provided 260 hours (1,040 units), State Funded 2.0 provided 1,252 hours (5,008 units), Title III provided 1,543 hrs. (6,172 units), Private Care provided 34 hrs. (136 units), and Cares Act provided 469.5 hrs. (1,878 units). These services were delivered to 104 clients.

Justice Services Program

The Agency is proud to offer Recovery Court Services for the 22nd and the 17th Judicial District. These courts are specialized to provide intensive case management to clients of the justice involved population. The services include group and individual treatment. The program also has supervision oversight through a best practices team approach. During fiscal year 2023, the Lincoln County-17th Judicial Recovery Court both misdemeanor/felony served 49 clients, total court fees paid \$23,625

South Central Human Resource Agency Management's Discussion and Analysis

and 880 service hours, the 22nd Judicial District served 45 clients, total court fees paid \$40,219 and 475 community service hours.

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 2023, services were provided for 415 “at-risk” children by 47 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 2023, a total of 131 clients were served.

Weatherization Assistance Program

The Weatherization Assistance Program (“WAP”), funded by the Tennessee Housing Development Agency (“TDHA”), strives to improve energy efficiency and reduce energy costs of low-income households through the application of weatherization measures approved by TDHA to qualified housing units. Eligibility guidelines for this funding allow households of up to 200% of the federal poverty level to benefit. The funding and scope of this program have been drastically reduced due to the lack of federal funding. During fiscal year 2023, 17 homes were weatherized at a funding level of \$163,204.

Workforce Innovative and Opportunity Act

The Workforce Innovative and Opportunity Act (“WIOA”), funded by the South Central Tennessee Development District, is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. The American Job Centers provide a full range of programs, seminars, and workshops, including work skills, interviewing techniques, and resume writing. Depending on circumstances, job seekers may be able to get some or all of the costs of training covered by funding from the Department of Labor. During fiscal year 2023, 18,087 clients were serviced through the American Job Centers in our 13-county region served.

South Central Human Resource Agency Management's Discussion and Analysis

Overview of the Financial Statements

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

Basic Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements on pages 15 and 16 provide a broad overview of the Agency's financial position and operations in a manner similar to a private-sector business. The statement of net position presents the Agency's assets and 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 17 through 24 provide information about the Agency's funds. Funds are used to maintain control over resources that are to be segregated for specific activities or purpose. Fund accounting ensures and reflects compliance with finance-related legal requirements, such as grantor provisions. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they are measurable and available and expenditures are generally recorded when the related fund liability is incurred. All of the Agency's funds are considered to be governmental funds.

Governmental Funds

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

Notes to Financial Statements

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

South Central Human Resource Agency Management's Discussion and Analysis

Required Supplementary Information

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

Other Supplementary Information

Other Supplementary information on pages 47 through 50 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 \$26 million during the fiscal year. Accordingly, a Single Audit was required. The Single Audit section of the financial statements on pages 51 through 61 includes the schedule of expenditures of federal awards and state financial assistance and notes thereto, the schedule of findings and questioned costs, along with our independent 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, 2023 (as presented on page 15) with comparative data from June 30, 2022.

South Central Human Resource Agency Management's Discussion and Analysis

Table 1
Condensed Statement of Net Position

<i>June 30,</i>	2023	2022
Current assets	\$ 8,552,459	\$ 6,108,002
Restricted assets	1,280,638	3,131,296
Net pension asset	2,263,529	2,487,536
Capital assets	7,773,472	6,255,479
Total assets	19,870,098	17,982,313
Deferred outflows of resources	1,439,958	1,489,481
Current liabilities	7,085,664	6,613,607
Note payable	864,525	747,725
Lease liabilities	557,044	814,600
Accrued Leave	488,970	552,163
Total liabilities	8,996,203	8,728,095
Deferred inflows of resources	661,899	913,669
Net position:		
Net investment in capital assets	6,350,288	4,693,154
Restricted for pension benefits	3,041,588	3,063,348
Unrestricted	2,260,078	2,073,528
Total net position	\$ 11,651,954	\$ 9,830,030

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11.65 million as of June 30, 2023. The Agency's net position increased \$1,821,924 for the fiscal year.

The Agency's net investment in capital assets (buildings and improvements, vehicles, equipment, and land) represents 55% of its net position as of June 30, 2023. 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 26% of its net position as of June 30, 2023. 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, 2023 (as presented on page 16) with comparative data for the year ended June 30, 2022.

South Central Human Resource Agency Management's Discussion and Analysis

Table 2
Change in Net Position

<i>For the year ended June 30,</i>	2023		2022	
	Amount	Percentage of Funding	Amount	Percentage of Funding
Revenues:				
Operating grants and contributions	\$ 30,068,877	75.48%	\$ 27,415,876	73.75%
Charges for services and other income	9,769,172	24.52%	9,760,083	26.25%
Total revenues	39,838,049	100.00%	37,175,959	100.00%
Expenses:				
Head Start	12,512,966	31.41%	12,604,639	33.91%
Low-Income Home Energy Assistance	9,244,472	23.21%	7,271,524	19.56%
Community Representative Payee	4,368,165	10.96%	4,216,271	11.34%
Workforce Innovation and Opportunity Act	2,568,055	6.45%	2,302,696	6.19%
Nutrition Services for the Elderly	1,813,609	4.55%	1,928,028	5.19%
Food Service	1,432,874	3.60%	1,571,789	4.23%
Community Service Block Grant	1,356,978	3.41%	1,223,575	3.29%
Senior Community Service Employment	664,360	1.67%	679,499	1.83%
Justice Services	283,787	0.71%	810,326	2.18%
Homemaker Services for the Elderly	210,856	0.53%	262,892	0.71%
Foster Grandparents	312,855	0.79%	275,404	0.74%
Social Services Block Grant	269,605	0.68%	251,509	0.68%
Weatherization Assistance	163,204	0.41%	192,128	0.52%
Emergency Food Assistance	117,835	0.30%	112,936	0.30%
State Appropriations, Agency & Other	2,696,504	6.77%	2,161,830	5.82%
Total expenses	\$ 38,016,125	95.46%	\$ 35,865,046	96.49%
Change in net position	\$ 1,821,924	4.54%	\$ 1,310,913	3.51%

Net position increased by \$1,821,924 for the fiscal year compared to an increase in net position of \$1,310,913 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.

As of June 30, 2023, the Agency's governmental funds reported a total fund balance of approximately \$2.26 million, an increase of \$184,935 over the prior fiscal year. The general fund is

South Central Human Resource Agency Management's Discussion and Analysis

the Agency's primary operating fund. Revenues exceeded expenditures in this fund by \$211,186 for the fiscal year. The unassigned fund balance of the general fund was approximately \$2.0 million as of June 30, 2023.

Net Pension Asset

As of June 30, 2023, the Agency's net pension asset totaled \$2,263,529 compared to \$2,487,536 in the prior fiscal year; a net decrease of \$224,007. 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 21.

Capital Assets

As of June 30, 2023, the Agency's capital assets totaled \$7,773,472 compared to \$6,255,481 in the prior fiscal year; a net increase of \$1,517,991. These assets include buildings and improvements, vehicles, equipment, right-of-use leased assets and land. Additions to capital assets totaled \$2,262,143. The Agency also recognized depreciation expense of \$744,152. Additional information on the Agency's capital assets can be found in Note 2 of the financial statements.

Factors Bearing on SCHRA's Future

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

Requests for Information

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

South Central Human Resource Agency
Basic Financial Statements

South Central Human Resource Agency
Statement of Net Position

<i>June 30,</i>	2023
Assets	
Cash and cash equivalents	\$ 5,154,914
Receivables	3,010,197
Inventories - kitchen supplies	31,712
Prepaid expenses	355,636
Restricted assets	
Cash and cash equivalents	742,079
Inventories - food commodities	538,559
Net pension asset	2,263,529
Capital assets	
Non-depreciable	3,150,563
Depreciable, net	4,077,629
Right-to-use lease assets, net	545,280
Total assets	19,870,098
Deferred Outflows of Resources	
Deferred outflows related to pension	1,439,958
Liabilities	
Accounts payable	714,357
Accrued payroll	364,441
Accrued payroll taxes and employee benefits	484,488
Due to funding source	75,982
Due to CRPP clients	4,870,810
Accrued audit fee	57,000
Deferred income	18,586
Line of credit	500,000
Noncurrent liabilities	
Due within one year	
Lease liability	253,656
Note payable	211,608
Due in more than one year	
Accrued leave	488,970
Lease liability	303,388
Note payable	652,917
Total liabilities	8,996,203
Deferred Inflows of Resources	
Deferred inflows related to pension	661,899
Net Position	
Net investment in capital assets	6,350,288
Restricted for pension benefits	3,041,588
Unrestricted	2,260,078
Total net position	\$ 11,651,954

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, 2023

Expenses

Functions/Programs	Direct Expenses	Indirect Costs Allocated
Governmental Activities:		
Program activities:		
Head Start	\$ 11,518,946	\$ 994,020
Low-Income Home Energy Assistance	8,993,098	251,374
Community Representative Payee	4,351,810	16,355
Workforce Innovation and Opportunity Act	2,479,398	88,657
Nutrition Services for the Elderly	1,761,821	51,788
Community Service Block Grant	1,243,505	113,473
Senior Community Service Employment	656,162	8,198
Justice Services	261,075	22,712
Homemaker Services for the Elderly	193,326	17,530
Foster Grandparents	299,419	13,436
Social Services Block Grant	247,879	21,726
Weatherization Assistance	158,488	4,716
Emergency Food Assistance	108,324	9,511
Other	1,722,370	21,697
Support services:		
Food service	1,318,290	114,584
State Appropriations, Agency and other	937,113	15,324
Total	\$ 36,251,024	\$ 1,765,101
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
\$ 35,417	\$ 13,478,346	\$ 1,000,797
22,013	9,221,439	(1,020)
4,351,884	-	(16,281)
-	2,566,963	(1,092)
1,252,911	613,606	52,908
866	1,405,632	49,520
-	676,992	12,632
17,614	273,384	7,211
229,609	-	18,753
-	300,217	(12,638)
-	269,273	(332)
-	163,205	1
-	117,833	(2)
2,110,641	235,875	602,449
1,366,023	-	(66,851)
382,194	746,112	175,869
<u>\$ 9,769,172</u>	<u>\$ 30,068,877</u>	<u>1,821,924</u>
		<u>9,830,030</u>
		<u>\$ 11,651,954</u>

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

<i>June 30, 2023</i>	General Fund	Children's Services Fund	Nutrition Fund
Assets			
Cash and cash equivalents	\$ 2,535,452	\$ 258,209	\$ 79,451
Receivables			
Funding sources and others	103,668	864,064	227,634
Due from other funds	201,235	-	-
Inventories - kitchen supplies	-	-	31,712
Prepaid expenses	223,890	69,880	22,481
Restricted assets			
Cash and cash equivalents	489,807	230,188	-
Inventories - food commodities	-	-	538,559
Total assets	\$ 3,554,052	\$ 1,422,341	\$ 899,837
Liabilities			
Accounts payable	\$ 321,465	\$ 261,620	\$ 71,453
Accrued payroll	57,346	109,846	32,160
Accrued payroll taxes and employee benefits	192,581	160,618	14,542
Due to funding sources	51,819	24,163	-
Due to other funds	-	678,921	721,978
Due to CRPP client	-	-	-
Line of credit	500,000	-	-
Deferred income	-	18,099	-
Accrued leave	115,378	169,074	59,704
Accrued audit fee	57,000	-	-
Total liabilities	1,295,589	1,422,341	899,837
Fund Balances			
Non-spendable	223,890	-	-
Unassigned	2,034,573	-	-
Total fund balances	2,258,463	-	-
Total liabilities and fund balances	\$ 3,554,052	\$ 1,422,341	\$ 899,837

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

Community Service Fund	Nonmajor Funds	Total Governmental Funds
\$ 2,281,327	\$ 475	\$ 5,154,914
1,641,584	173,247	3,010,197
1,308,330	-	1,509,565
-	-	31,712
16,331	23,054	355,636
-	22,084	742,079
-	-	538,559
<u>\$ 5,247,572</u>	<u>\$ 218,860</u>	<u>\$ 11,342,662</u>
\$ 54,526	\$ 5,293	\$ 714,357
117,327	48,135	364,814
103,822	12,552	484,115
-	-	75,982
-	108,666	1,509,565
4,870,810	-	4,870,810
-	-	500,000
487	-	18,586
100,600	44,214	488,970
-	-	57,000
5,247,572	218,860	9,084,199
-	-	223,890
-	-	2,034,573
-	-	2,258,463
<u>\$ 5,247,572</u>	<u>\$ 218,860</u>	<u>\$ 11,342,662</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, 2023

Total fund balance - governmental funds	\$	2,258,463
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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 funds.

Cost of capital assets	\$	13,246,414	
Accumulated depreciation and amortization		(5,472,942)	7,773,472

Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

1,439,958

Deferred inflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

(661,899)

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		(864,525)	
Lease liabilities		(557,044)	
Net pension asset		2,263,529	841,960

Net position of governmental activities	\$	11,651,954
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The accompanying notes are an integral part of these financial statements.

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

<i>For the year ended June 30, 2023</i>	General Fund	Children's Services Fund	Nutrition Fund
Revenues			
Grantor contributions	\$ 500,000	\$ 13,453,341	\$ 613,606
Performance based income	-	-	1,239,153
Program income	2,263,302	-	1,379,781
State and local contributions	246,112	5,050	-
Other income	409,336	55,372	-
Total revenues	3,418,750	13,513,763	3,232,540
Expenditures			
Salaries	1,048,026	5,954,306	675,071
Fringe benefits	334,523	2,246,499	180,857
Participant costs	3,079	5,749	26,251
Food	24,569	626,500	1,962,729
Indirect costs	18,998	994,020	166,372
Contract services	32,905	62,501	360
Insurance and bonding	84,646	68,602	8,224
Maintenance and repairs	78,986	330,475	49,364
Office supplies	12,601	2,137	2,836
Other	84,275	1,197,239	2,646
Postage	4,497	4,596	647
Printing and duplication	2,763	-	70
Professional services	302,143	247,149	16,098
Program supplies	43,695	684,821	12,418
Renovations	60,406	-	-
Rent and leases	135,269	395,326	39,944
Telephone	24,074	183,403	6,320
Transportation	23,921	24,005	3,018
Travel - in area	2,799	47,209	39,745
Travel - out of area	95,888	51,871	9,451
Utilities	62,949	169,812	29,411
Vehicles and equipment	726,552	243,794	708
Total expenditures	3,207,564	13,540,014	3,232,540
Excess revenue over (under) Expenditures	211,186	(26,251)	-
Fund balances - beginning of year	2,047,277	26,251	-
Fund balances - ending of year	\$ 2,258,463	\$ -	\$ -

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

Community Service Fund	Nonmajor Funds	Total Governmental Funds
\$ 17,915,230	\$ 1,284,209	\$ 33,766,386
410,608	-	1,649,761
-	-	3,643,083
79,127	123,072	453,361
22,879	18,039	505,626
18,427,844	1,425,320	40,018,217
2,038,735	501,694	10,217,832
682,832	101,116	3,545,827
10,074,949	646,181	10,756,209
940	3,844	2,618,582
529,777	55,934	1,765,101
54,631	-	150,397
21,826	3,732	187,030
6,206	435	465,466
14,996	446	33,016
4,178,737	5,927	5,468,824
24,744	2,118	36,602
31,628	902	35,363
109,545	7,226	682,161
47,607	1,882	790,423
-	-	60,406
340,830	50,348	961,717
61,511	13,579	288,887
9,425	2,289	62,658
43,333	1,551	134,637
43,588	22,618	223,416
57,219	3,496	322,887
54,785	2	1,025,841
18,427,844	1,425,320	39,833,282
-	-	184,935
-	-	2,073,528
\$ -	\$ -	\$ 2,258,463

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

<i>For the year ended June 30,</i>	2023
Total net change in fund balance - governmental funds	\$ 184,935
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed depreciation in the current period.	1,517,991
Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.	(366,437)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on note payable	63,367
Principal payments on capital lease obligation	443,826
Net pension liability reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(21,758)
Change in net position of governmental activities	\$ 1,821,924

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, 2023</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Program income	2,225,447	2,225,447	2,263,302	37,855
State and local contributions	246,140	246,140	246,112	(28)
Other income	116,300	116,300	409,336	293,036
Total revenues	3,087,887	3,087,887	3,418,750	330,863
Expenditures				
Salaries	1,056,617	1,056,617	1,048,026	8,591
Fringe benefits	322,693	322,693	334,523	(11,830)
Participant costs	2,800	2,800	3,079	(279)
Food	22,570	22,570	24,569	(1,999)
Indirect costs	21,685	21,685	18,998	2,687
Contract services	33,800	33,800	32,905	895
Insurance and bonding	85,390	85,390	84,646	744
Maintenance and repairs	32,255	32,255	78,986	(46,731)
Office supplies	14,100	14,100	12,601	1,499
Other	126,323	126,323	84,275	42,048
Postage	4,210	4,210	4,497	(287)
Printing and duplication	3,050	3,050	2,763	287
Professional services	263,933	263,933	302,143	(38,210)
Program supplies	76,534	76,534	43,695	32,839
Renovations	60,600	60,600	60,406	194
Rent and leases	122,850	122,850	135,269	(12,419)
Telephone	28,099	28,099	24,074	4,025
Transportation	22,708	22,708	23,921	(1,213)
Travel - in area	3,775	3,775	2,799	976
Travel - out of area	111,135	111,135	95,888	15,247
Utilities	64,167	64,167	62,949	1,218
Vehicles and equipment	728,270	728,270	726,552	1,718
Total expenditures	3,207,564	3,207,564	3,207,564	-
Excess of revenues over expenditures	(119,677)	(119,677)	211,186	330,863
Fund balances beginning of year	2,047,277	2,047,277	2,047,277	-
Fund balances ending of year	\$ 1,927,600	\$ 1,927,600	\$ 2,258,463	\$ 330,863

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, 2023</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 13,809,708	\$ 13,809,708	\$ 13,453,341	\$ (356,367)
State and local contributions	5,050	5,050	5,050	-
Other income	125,060	125,060	55,372	(69,688)
Total revenues	13,939,818	13,939,818	13,513,763	(426,055)
Expenditures				
Salaries	6,224,260	6,224,260	5,954,306	269,954
Fringe benefits	2,320,896	2,320,896	2,246,499	74,397
Participant costs	7,785	7,785	5,749	2,036
Food	633,901	633,901	626,500	7,401
Indirect costs	1,006,440	1,006,440	994,020	12,420
Contract services	58,840	58,840	62,501	(3,661)
Insurance and bonding	69,375	69,375	68,602	773
Maintenance and repairs	261,464	261,464	330,475	(69,011)
Office supplies	2,982	2,982	2,137	845
Other	1,067,733	1,067,733	1,197,239	(129,506)
Postage	5,301	5,301	4,596	705
Printing and duplication	660	660	-	660
Professional services	258,539	258,539	247,149	11,390
Program supplies	699,172	699,172	684,821	14,351
Rent and leases	415,672	415,672	395,326	20,346
Telephone	187,118	187,118	183,403	3,715
Transportation	25,320	25,320	24,005	1,315
Travel - in area	50,808	50,808	47,209	3,599
Travel - out of area	53,931	53,931	51,871	2,060
Utilities	180,937	180,937	169,812	11,125
Vehicles and equipment	150,473	150,473	243,794	(93,321)
Total expenditures	13,681,607	13,681,607	13,540,014	141,593
Net change in fund balance	258,211	258,211	(26,251)	(284,462)
Fund balances beginning of year	26,251	26,251	26,251	-
Fund balances ending of year	\$ 284,462	\$ 284,462	\$ -	\$ (284,462)

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, 2023</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 543,696	\$ 543,696	\$ 613,606	\$ 69,910
Performance based income	988,538	988,538	1,239,153	250,615
Program income	1,784,174	1,784,174	1,379,781	(404,393)
Other income	13,200	13,200	-	(13,200)
Total revenues	3,329,608	3,329,608	3,232,540	(97,068)
Expenditures				
Salaries	653,207	653,207	675,071	(21,864)
Fringe benefits	196,538	196,538	180,857	15,681
Participant costs	31,147	31,147	26,251	4,896
Food	2,102,091	2,102,091	1,962,729	139,362
Indirect costs	193,820	193,820	166,372	27,448
Contract services	800	800	360	440
Insurance and bonding	10,703	10,703	8,224	2,479
Maintenance and repairs	51,663	51,663	49,364	2,299
Office supplies	3,273	3,273	2,836	437
Other	3,145	3,145	2,646	499
Postage	682	682	647	35
Printing and duplication	134	134	70	64
Professional services	16,650	16,650	16,098	552
Program supplies	13,412	13,412	12,418	994
Rent and leases	40,356	40,356	39,944	412
Telephone	6,370	6,370	6,320	50
Transportation	3,452	3,452	3,018	434
Travel - in area	39,746	39,746	39,745	1
Travel - out of area	9,960	9,960	9,451	509
Utilities	29,425	29,425	29,411	14
Vehicles and equipment	1,450	1,450	708	742
Total expenditures	3,408,024	3,408,024	3,232,540	175,484
Net change in fund balance	(78,416)	(78,416)	-	78,416
Fund balances beginning of year	-	-	-	-
Fund balances ending of year	\$ (78,416)	\$ (78,416)	\$ -	\$ 78,416

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, 2023</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grantor contributions	\$ 19,301,552	\$ 19,301,552	\$ 17,915,230	\$ (1,386,322)
Performance based income	453,218	453,218	410,608	(42,610)
State and local contributions	79,700	79,700	79,127	(573)
Other income	22,500	22,500	22,879	379
Total revenues	19,856,970	19,856,970	18,427,844	(1,429,126)
Expenditures				
Salaries	2,218,649	2,218,649	2,038,735	179,914
Fringe benefits	825,141	825,141	682,832	142,309
Participant costs	10,861,816	10,861,816	10,074,949	786,867
Food	628	628	940	(312)
Indirect costs	585,536	585,536	529,777	55,759
Contract services	107,398	107,398	54,631	52,767
Insurance and bonding	32,778	32,778	21,826	10,952
Maintenance and repairs	13,660	13,660	6,206	7,454
Nonexpendable supplies	1,000	1,000	-	1,000
Office supplies	24,060	24,060	14,996	9,064
Other	4,207,642	4,207,642	4,178,737	28,905
Postage	26,368	26,368	24,744	1,624
Printing and duplication	18,696	18,696	31,628	(12,932)
Professional services	129,272	129,272	109,545	19,727
Program supplies	57,340	57,340	47,607	9,733
Rent and leases	383,640	383,640	340,830	42,810
Telephone	78,782	78,782	61,511	17,271
Transportation	12,858	12,858	9,425	3,433
Travel - in area	43,613	43,613	43,333	280
Travel - out of area	49,186	49,186	43,588	5,598
Utilities	62,181	62,181	57,219	4,962
Vehicles and equipment	67,834	67,834	54,785	13,049
Total expenditures	19,808,078	19,808,078	18,427,844	1,380,234
Net change in fund balance	48,892	48,892	-	(48,892)
Fund balances beginning of year	-	-	-	-
Fund balances ending of year	\$ 48,892	\$ 48,892	\$ -	\$ (48,892)

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 non-major funds.

The Agency reports the following major governmental funds:

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

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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.

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.

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

Cash and Cash Equivalents

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

Receivables

Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs. No allowances are made for uncollectible amounts because management considers all amounts to be fully collectible.

Inventory and Prepaid Items

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

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

Interfund Loans and Transfers

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

Restricted Assets

Restricted assets at June 30, 2023 consist of cash and cash equivalents which are restricted by the types of expenditures allowed per the grantor and inventory of food commodities.

Capital Assets

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

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

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

In the fund financial statements, expenditures for debt principal, interest, and related costs are reported in the fiscal year payments are made. The balance sheet does not reflect a liability for long-term debt.

Compensated Absences

Annual leave is expensed during the period in which it is earned. Eligible full time employees who have been employed by the Agency for up to five years accrue 1 day of vacation per month. Eligible full time employees with more than five years of service with the Agency accrue 1 1/2 days of vacation per month. These employees may carry over up to 225 hours (30 days) of accrued vacation leave from the preceding fiscal year. Any vacation leave accrued in excess of 225 hours may be transferred to sick leave to the extent that sick leave is not maximized. The liability for accrued leave recognized in the financial statements represents accrued vacation leave for all eligible employees as of June 30, 2023.

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, 2023.

Leases

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

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)

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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

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

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)

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.

Fund balances at June 30, 2023 are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:						
Prepaid expenses	\$ 223,890	\$ -	\$ -	\$ -	\$ -	\$ 223,890
Unassigned	2,034,573	-	-	-	-	2,034,573
Total	\$ 2,258,463	\$ -	\$ -	\$ -	\$ -	\$ 2,258,463

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. 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. The implementation of GASB 96 did not result in any change in the Agency's financial statements.

In April 2022, the GASB issued GASB Statement No. 99, *Omnibus 2022*. This Statement provides guidance on the following:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument,
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives,
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset,
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability,
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt,

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP),
- Disclosures related to nonmonetary transactions,
- Pledges of future revenues when resources are not received by the pledging government,
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements,
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement through Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

There were no significant impacts of implementing this statement.

Pronouncements Issued But Not yet Effective

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

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting

South Central Human Resource Agency Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 10, 2024, and determined there were no events that occurred that required disclosure.

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, 2023, the carrying amount of the Agency's deposits was \$5,896,993, which were fully insured or collateralized.

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Account Receivables

Receivables from grantor agencies and others included on the accompanying financial statements as of June 30, 2023, are as follows:

	General Fund	Children's Services Fund	Nutrition Fund	Community Services Fund	Nonmajor Funds	Total
Tennessee Housing Development	\$ -	\$ -	\$ -	\$ 714,639	\$ -	\$ 714,639
Tennessee Dept of Human Svs	-	-	-	447,261	-	447,261
Senior Service America, Inc.	-	-	-	-	87,281	87,281
St of TN Dept of Agriculture	-	-	-	29,186	-	29,186
U.S. Dept of Health and Human Services	-	864,064	-	-	-	864,064
Other	103,668	-	4,007	-	21,371	129,046
South Central TN Development District	-	-	223,627	450,498	-	674,125
St of TN Dept. of Mental Health & Substance Abuse Services	-	-	-	-	55,705	55,705
Corporation for National and Community Service	-	-	-	-	8,890	8,890
Total receivables	\$ 103,668	\$ 864,064	\$ 227,634	\$ 1,641,584	\$ 173,247	\$ 3,010,197

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

Interfund Activity

Due to/from other funds at June 30, 2023 consisted of the following amounts:

Due to	Due from					Total
	General Fund	Children's Services Fund	Nutrition Fund	Community Service Fund	Nonmajor Funds	
Community Services	\$ -	\$ (678,921)	\$ (721,978)	\$ -	\$ (108,666)	\$ (1,509,565)
Other Governmental	201,235	-	-	1,308,330	-	1,509,565
	\$ 201,235	\$ (678,921)	\$ (721,978)	\$ 1,308,330	\$ (108,666)	\$ -

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Construction in progress	1,405,868	1,712,395	-	3,118,263
<hr/>				
Total capital assets not being depreciated/amortized	1,438,168	1,712,395	-	3,150,563
<hr/>				
Capital assets, being depreciated:				
Buildings and improvements	4,818,135	74,470	-	4,892,605
Vehicles	1,570,350	45,078	129,625	1,485,803
Equipment	490,066	197,057	-	687,123
<hr/>				
Capital assets, being depreciated	6,878,551	316,605	129,625	7,065,531
<hr/>				
Less accumulated depreciation for				
Buildings and improvements	1,244,757	155,355	-	1,400,112
Vehicles	1,241,977	125,407	129,625	1,237,759
Equipment	302,006	48,025	-	350,031
<hr/>				
Total accumulated depreciation/amortization	2,788,740	328,787	129,625	2,987,902
<hr/>				
Total capital assets being depreciated, net	4,089,811	(12,182)	-	4,077,629
<hr/>				
Right-to-use lease assets, being amortized				
Buildings	2,797,177	233,143	-	3,030,320
<hr/>				
Less accumulated amortization for				
Buildings	2,069,675	415,365	-	2,485,040
<hr/>				
Right-to-use lease assets being amortized, net	727,502	(182,222)	-	545,280
<hr/>				
Total governmental activities capital assets, net	\$ 6,255,481	\$ 1,517,991	\$ -	\$ 7,773,472

Depreciation expense, which includes amortization of assets under right-of-use (ROU) assets, totaled approximately \$744,152 for the year ended June 30, 2023. There were no significant asset impairments for the year ended June 30, 2023.

**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	\$ 90,484
Children's Services Fund	224,360
Nutrition Fund	13,943
<hr/>	
Total	\$ 328,787
<hr/>	

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

Lease building	\$ 3,030,320
Less accumulated amortization	(2,485,040)
<hr/>	
Lease building, net	\$ 545,280
<hr/>	

Due to CRPP Clients

Due to CRPP clients total \$4,870,810 for the year ended June 30, 2023 which consists of client money funded by client fees established by the Social Security Administration and Veterans Administration that have not been expended as of June 30, 2023.

South Central Human Resource Agency
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

Long Term Debt

During the year ended June 30, 2023, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance July 1, 2022	Proceeds	Retirements	Balance June 30, 2023	Amounts Due Within One Year
Compensated absences:					
General Fund	\$ 76,806	\$ 70,032	\$ 31,460	\$ 115,378	\$ -
Children's Services	170,254	246,579	247,759	169,074	-
Nutrition	60,180	15,792	16,268	59,704	-
Community Services	93,524	72,974	65,898	100,600	-
Nonmajor	25,815	35,746	17,347	44,214	-
Total	426,579	441,123	378,732	488,970	-
Note from direct borrowings:					
Lawrence Head Start building	715,069	-	30,711	684,358	31,441
Chiller	32,656	-	32,656	-	-
Warehouse construction	-	180,167	-	180,167	180,167
Total	747,725	180,167	63,367	864,525	211,608
Leases - ROU Assets	814,600	186,270	443,826	557,044	253,656
Total long-term liabilities	\$ 1,988,904	\$ 807,560	\$ 885,925	\$ 1,910,539	\$ 465,264

Lawrence Head Start building - In April 2021 the Agency entered into an eighty-four-month agreement with First Farmers Bank for the purchase of a new Head Start building. The note has an

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities (continued)

Long Term Debt (continued)

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.

Warehouse construction - In April 2023 the Agency entered into a twelve-month agreement with First Bank of Frankewing for the construction of a new warehouse. The note has an implicit interest rate of 4.75% and calls for eleven interest only monthly payments and a balloon payment at the end of the note. Note payments are made with state appropriation dollars.

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

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2024	\$ 211,608	\$ 15,745
2025	32,188	14,998
2026	32,952	14,234
2027	33,735	13,451
2028	554,042	10,598
	\$ 864,525	\$ 69,026

Leases

GASB No. 87, *Leases*, was adopted for periods beginning July 1, 2021. Under this new guidance, nearly all contracts allowing for the Agency to use another entity’s asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Amortization of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

The right-of-use assets and related lease liabilities largely involve the following:

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

South Central Human Resource Agency
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities (continued)

Leases (continued)

As of June 30, 2023, the value of lease liability was \$557,044. The Agency is required to make monthly principal payments totaling \$22,732. The leases have interest rates ranging from 3.25% to 8.25%.

<i>Fiscal Year Ending June 30,</i>	Principal	Interest
2024	\$ 253,656	\$ 19,128
2025	180,427	8,980
2026	60,265	4,172
2027	47,794	1,736
2028	14,902	242
	\$ 557,044	\$ 34,258

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 \$428,926 for the year ended June 30, 2023.

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	143
Active employees	245
<hr/>	
Total	398

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, 2023, the employer contributions for the Agency was \$428,926 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.

South Central Human Resource Agency Notes to Financial Statements

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

Net Pension Liability (Asset)

Pension liabilities (assets) The Agency's net pension liability (asset) was measured as of June 30, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00%
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

South Central Human Resource Agency
Notes to Financial Statements

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

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

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Agency will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 3,791,895	\$ 6,279,431	\$ (2,487,536)
Changes for the year:			
Service cost	895,373	-	895,373
Interest	314,557	-	314,557
Differences between expected and actual experience	(502,478)	-	(502,478)
Contributions - employer	-	379,658	(379,658)
Contributions - employee	-	379,658	(379,658)
Net investment income	-	(253,280)	253,280
Benefit payments, including refunds of employee contributions	(54,333)	(54,333)	-
Administrative expense	-	(22,591)	22,591
Other changes	-	-	-
Net changes	653,119	429,112	224,007
Balances at June 30, 2022	\$ 4,445,014	\$ 6,708,543	\$ (2,263,529)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Agency calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

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

Note 4: EMPLOYEE RETIREMENT PLAN (Continued)

Changes in Net Pension Liability (Asset) (continued)

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Agency's net pension liability (asset)	\$ (1,348,699)	\$ (2,263,529)	\$ (2,983,354)

Pension Expense and Deferred Inflows/Outflows of Resources

Pension expense. For the year ended June 30, 2023, the Agency recognized negative pension expense of \$450,686.

Deferred outflows and deferred inflows or resources. For the year ended June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	941,761	\$	439,668
Net difference between projected and actual earnings of pension plan investments		69,271		-
Changes of assumptions		-		222,231
Contributions subsequent to the measurement date of June 30, 2022		428,926		-
Total	\$	1,439,958	\$	661,899

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

Year ending June 30,

2024						\$			49,749
2025								50,958	
2026								33,168	
2027								208,247	
2028								68,213	
Thereafter								(61,202)	
Total						\$		349,133	

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

Payable to the Pension Plan

At June 30, 2023, the Agency reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

South Central Human Resource Agency Notes to Financial Statements

Note 5: RISK MANAGEMENT

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

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

Note 6: COMMITMENTS AND CONTINGENCIES

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

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

Note 7: RELATED PARTIES

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

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

<i>June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 895,373	\$ 731,006	\$ 674,660	\$ 574,403	\$ 68	\$ 414	\$ 1,223	\$ 1,218	\$ 1,234
Interest	314,557	231,348	167,787	101,858	12,224	11,534	10,910	10,843	10,746
experience	(502,478)	675,595	6,998	162,280	666,067	12,031	5,801	(5,950)	(7,493)
Changes of assumptions	-	(296,309)	-	-	-	2,470	-	-	-
Benefit payments, including refunds of employee contributions	(54,333)	(19,495)	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Net change in total pension liability	653,119	1,322,145	810,756	818,364	665,828	16,402	10,373	3,229	1,017
Total pension liability - beginning	3,791,895	2,469,750	1,658,994	840,630	174,802	158,400	148,027	144,798	143,781
Total pension liability - ending (a)	\$ 4,445,014	\$ 3,791,895	\$ 2,469,750	\$ 1,658,994	\$ 840,630	\$ 174,802	\$ 158,400	\$ 148,027	\$ 144,798
Plan Fiduciary Net Position									
Contributions - employer	\$ 379,658	\$ 361,850	\$ 328,630	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions - member	379,658	361,854	328,630	286,310	235,265	-	-	-	-
Net investment income	(253,280)	1,217,590	192,679	229,809	198,808	221,395	50,710	57,285	264,954
Benefit payments, including refunds of employee contributions	(54,333)	(19,495)	(38,689)	(20,177)	(12,531)	(10,047)	(7,561)	(2,882)	(3,470)
Administrative expense	(22,591)	(20,362)	(17,075)	(17,176)	(16,470)	-	-	-	(119)
Other	-	-	-	-	8,099	-	-	-	-
Net change in plan fiduciary net position	429,112	1,901,437	794,175	765,075	648,437	211,348	43,149	54,403	261,365
Plan net position - beginning	6,279,431	4,377,994	3,583,819	2,818,744	2,170,307	1,958,959	1,915,810	1,861,407	1,600,042
Plan net position - ending (b)	\$ 6,708,543	\$ 6,279,431	\$ 4,377,994	\$ 3,583,819	\$ 2,818,744	\$ 2,170,307	\$ 1,958,959	\$ 1,915,810	\$ 1,861,407
Net pension liability (asset) - ending (a) - (b)	\$ (2,263,529)	\$ (2,487,536)	\$ (1,908,244)	\$ (1,924,825)	\$ (1,978,114)	\$ (1,995,505)	\$ (1,800,559)	\$ (1,767,783)	\$ (1,716,609)
Plan fiduciary net position as a percentage of the total pension	150.92%	165.60%	177.26%	216.02%	335.31%	1241.58%	1236.72%	1294.23%	1285.52%
Covered payroll**	\$ 7,593,093	\$ 7,236,904	\$ 6,572,544	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of Covered payroll	-29.81%	-34.37%	-29.03%	-33.61%	-42.04%	N/A	N/A	N/A	N/A

Notes to Schedule:

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

*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>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 311,725	\$ 302,967	\$ 288,756	\$ 229,384	\$ 286,309	\$ 235,266	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially	428,926	379,658	361,850	328,630	286,309	235,266	-	-	-	-
Contribution deficiency (excess)	\$ (117,201)	\$ (76,691)	\$ (73,094)	\$ (99,246)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,793,122	\$ 7,593,093	\$ 7,236,904	\$ 6,572,544	\$ 5,726,127	\$ 4,705,268	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	5.50%	5.00%	5.00%	5.00%	5.00%	5.00%	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period (years)	Varies by Year
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement
Cost of living adjustments	2.125 percent

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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
Combining Balance Sheet – Nonmajor Funds**

<i>June 30, 2023</i>	Senior Services Fund	Justice Services Fund	Total Nonmajor Funds
Assets			
Cash and cash equivalents	\$ 6,415	\$ -	\$ 475
Receivables			
Funding sources and others	96,171	77,076	173,247
Prepaid expenses	7,166	15,888	23,054
Restricted assets			
Cash and cash equivalents	9	16,135	22,084
Total assets	\$ 109,761	\$ 109,099	\$ 218,860
Liabilities			
Accounts payable	\$ 141	\$ 5,152	\$ 5,293
Accrued payroll	38,062	10,073	48,135
Accrued payroll taxes and employee benefits	3,647	8,905	12,552
Due to other funds	53,708	54,958	108,666
Accrued leave	14,203	30,011	44,214
Total liabilities	109,761	109,099	218,860
Fund Balances			
Non-spendable	-	-	-
Unassigned	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 109,761	\$ 109,099	\$ 218,860

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

<i>For the year ended June 30, 2023</i>	Senior Services Fund	Justice Services Fund	Total Nonmajor Funds
Revenues			
Grantor contributions	\$ 977,209	\$ 307,000	\$ 1,284,209
State and local contributions	-	123,072	123,072
Other income	-	18,039	18,039
Total revenues	977,209	448,111	1,425,320
Expenditures			
Salaries	279,522	222,172	501,694
Fringe benefits	33,644	67,472	101,116
Participant costs	594,362	51,819	646,181
Food	1,886	1,958	3,844
Indirect costs	21,634	34,300	55,934
Insurance and bonding	1,774	1,958	3,732
Maintenance and repairs	80	355	435
Office supplies	191	255	446
Other	1,040	4,887	5,927
Postage	1,206	912	2,118
Printing and duplication	902	-	902
Professional services	3,754	3,472	7,226
Program supplies	515	1,367	1,882
Rent and leases	18,738	31,610	50,348
Telephone	7,600	5,979	13,579
Transportation	839	1,450	2,289
Travel - in area	908	643	1,551
Travel - out of area	7,603	15,015	22,618
Utilities	1,010	2,486	3,496
Vehicles and equipment	1	1	2
Total expenditures	977,209	448,111	1,425,320
Net change in fund balances	-	-	-
Fund balances beginning of year	-	-	-
Fund balances ending of year	\$ -	\$ -	\$ -

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

<i>For the year ended June 30, 2023</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 981,809	\$ 981,809	\$ 977,209	\$ (4,600)
Expenditures				
Salaries	299,486	299,486	279,522	19,964
Fringe benefits	40,374	40,374	33,644	6,730
Participant costs	599,700	599,700	594,362	5,338
Food	2,000	2,000	1,886	114
Indirect costs	20,821	20,821	21,634	(813)
Insurance and bonding	2,104	2,104	1,774	330
Maintenance and repairs	-	-	80	(80)
Office supplies	1,700	1,700	191	1,509
Other	23,000	23,000	1,040	21,960
Postage	1,816	1,816	1,206	610
Printing and duplication	1,422	1,422	902	520
Professional services	4,714	4,714	3,754	960
Program supplies	700	700	515	185
Rent and leases	16,525	16,525	18,738	(2,213)
Telephone	11,784	11,784	7,600	4,184
Transportation	1,000	1,000	839	161
Travel - in area	800	800	908	(108)
Travel - out of area	9,110	9,110	7,603	1,507
Utilities	904	904	1,010	(106)
Vehicles and equipment	-	-	1	(1)
Total expenditures	1,037,960	1,037,960	977,209	60,751
Net change in fund balance	(56,151)	(56,151)	-	56,151
Fund balance beginning of year	145	145	-	-
Fund balance ending of year	\$ (56,006)	\$ (56,006)	\$ -	\$ 56,151

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

<i>For the year ended June 30, 2023</i>	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Grantor contributions	\$ 307,000	\$ 307,000	\$ 307,000	\$ -
State and local contributions	116,910	116,910	123,072	6,162
Other income	17,600	17,600	18,039	439
Total revenues	441,510	441,510	448,111	6,601
Expenditures				
Salaries	198,378	198,378	222,172	(23,794)
Fringe benefits	67,150	67,150	67,472	(322)
Participant costs	83,810	83,810	51,819	31,991
Food	1,960	1,960	1,958	2
Indirect costs	39,052	39,052	34,300	4,752
Insurance and bonding	3,598	3,598	1,958	1,640
Maintenance and repairs	1,292	1,292	355	937
Office supplies	463	463	255	208
Other	680	680	4,887	(4,207)
Postage	860	860	912	(52)
Printing and duplication	-	-	-	-
Professional services	3,974	3,974	3,472	502
Program supplies	2,772	2,772	1,367	1,405
Rent and leases	21,133	21,133	31,610	(10,477)
Telephone	6,976	6,976	5,979	997
Transportation	1,105	1,105	1,450	(345)
Travel - in area	1,391	1,391	643	748
Travel - out of area	15,179	15,179	15,015	164
Utilities	4,686	4,686	2,486	2,200
Vehicles and equipment	25	25	1	24
Total expenditures	454,484	454,484	448,111	6,373
Net change in fund balance	(12,974)	(12,974)	-	12,974
Fund balance beginning of year	1,342	1,342	-	-
Fund balance ending of year	\$ (11,632)	\$ (11,632)	\$ -	\$ 12,974



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)
CRlcpa.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 South Central Human Resource Agency (the "Agency"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 10, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, however, we noted a matter involving the misappropriation of grant funds.

On May 31, 2023, the Tennessee Comptroller of the Treasury issued the Comptroller's Investigative Report into the misappropriation of Labor Workforce Development (LWD) grant funds. From May 6, 2019 through November 12, 2021, the former One Stop Operator (OSO) program manager employed a scheme that enabled her son and two other participants to misappropriate \$117,024 in LWD grant funds while participating in the Work Experience (WEX) program. The former OSO Program manager aided her son and the other two participants by representing that all three were gainfully employed by actual businesses operating in compliance with program guidelines, which was in fact, untrue.

The scheme involved

- Fabricated and falsified time sheets for the three individuals
- Falsified documentation representing the individuals participated in the WEX Program by working for Quality Promotion Team (QPT) and HR Express, which was in fact, not the case

A copy of the Comptroller's Investigative Report can be viewed at

<https://comptroller.tn.gov/content/dam/cot/ia/advanced-search/2023/human-resource-agency/SouthCentralHumanResourceAgencyReport.pdf>

The misappropriation of grant funds and corresponding significant deficiency in internal control over financial reporting was originally reported in the Agency's June 30, 2021 audit report issued on March 21, 2022.

Purpose of This Report

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

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

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

Enterprise, Alabama
January 10, 2024



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

Opinion on Each Major Federal Program

We have audited South Central Human Resource Agency's (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2023. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

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

Enterprise, Alabama

January 10, 2024

South Central Human Resource Agency
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2023

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	04CH010668-05	\$ -	\$ 11,990,099
Head Start*	93.600	04HP000412-03	-	582,457
COVID-19 Head Start*	93.600	COVID-19 04HE000355-01 C5	-	170,985
COVID-19 Head Start*	93.600	COVID-19 04HE000355-01 C6	-	166,472
Total direct programs/Subtotal for 93.600/Subtotal Head Start Cluster				- 12,910,013
Passed through Tennessee Housing Development Agency				
Low-Income Home Energy Assistance	93.568	LIHEAP-22-15	-	4,392,353
Low-Income Home Energy Assistance	93.568	LIHEAP-23-15	-	2,060,301
COVID-19 Low-Income Home Energy Assistance	93.568	COVID-19 LIHEAP ARP-15	-	1,143,202
Low-Income Home Energy Assistance	93.568	LIHWAP 22-15	-	1,482,636
Low-Income Home Energy Assistance	93.568	LWx-20-11 (Second Allocation)	-	142,948
Subtotal for 93.568				- 9,221,440
Passed through the State of Tennessee Department of Human Services				
Community Services Block Grant	93.569	Z-21-49116	-	94,382
Community Services Block Grant	93.569	Z-22-49116	-	395,948
Community Services Block Grant	93.569	Z-23-49116	-	730,489
COVID-19 Community Services Block Grant	93.569	COVID-19 Z-22-49216	-	184,730
Subtotal for 93.569				- 1,405,549
Social Services Block Grant	93.667	Z-22-49316	-	69,357
Social Services Block Grant	93.667	Z-23-49316	-	197,771
Subtotal for 93.667				- 267,128
Elder Abuse Prevention Interventions Program	93.747	Z-22-49336	-	2,139
Total pass-through				- 10,896,256
Total U.S. Department of Health and Human Services				- 23,806,269
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	-	537,419
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-03222	-	34,856
Emergency Food Assistance Program (Administrative Costs)***	10.568	32501-04423	-	82,977
Subtotal for 10.568				- 117,833

(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, 2023**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing No.	Pass-Through Grantor's No.	Passed Through to Subrecipients	Expenditures
Emergency Food Assistance Program (n) (Food Commodities)***(n)	10.569	N/A	-	389,290
Total Food Distribution Cluster			-	507,123
Total U.S. Department of Agriculture			-	1,044,542
Corporation for National and Community Service				
Direct Program				
Foster Grandparent Program**	94.011	20SFSTN001	-	312,856
Total Corporation for National and Community Service			-	312,856
U.S. Department of Labor				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	TN2999	-	676,992
U.S. Department of Energy				
Passed through Tennessee Housing Development Agency				
Weatherization Assistance for Low-Income Persons	81.042	WAP-22-09	-	163,204
Total expenditures of federal awards			\$ -	\$ 26,003,863

State Grantor/Program Title	CSFA	Contract Number	Passed Through to Subrecipients	Expenditures
State of Tennessee Department of Human Services Services	N/A	Direct Appropriation	\$ -	\$ 145,890
State of TN Dept. of Mental Health and Substance Abuse Services (Felony Recovery Court - Lincoln)	N/A	74980	-	86,077
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lincoln)	N/A	74980	-	77,000
State of TN Dept. of Mental Health and Substance Abuse Services (Recovery Court - Lawrence)	N/A	74980	-	143,000
Total expenditures of state financial assistance			\$ -	\$ 451,967

*Head Start Cluster

**Foster Grandparent/Senior Companion Cluster

***Food Distribution Cluster

(n) Non-cash assistance

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

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

Note 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) summarizes the federal expenditures and state financial assistance of South Central Human Resource Agency (the "Agency") under programs of the federal government and State of Tennessee for the year ended June 30, 2023. The amounts reported as federal expenditures and state financial assistance were obtained from the Agency's general ledger. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position and changes in net position of the Agency.

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

Clusters

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

Note 2: INDIRECT COST

The Agency has not elected to use the 10% de Minimis cost rate for the year ended June 30, 2023.

Note 3: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

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

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

Note 4: FEDERAL PASS-THROUGH FUNDS

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

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

Note 5: BASIS OF ACCOUNTING

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

Note 6: CONTINGENCIES

Grant monies received and disbursed by the Agency are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, management does not believe that such disallowance, if any, would have a material effect on the financial position of the Agency. As of June 30, 2023, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7: NONCASH ASSISTANCE AND OTHER

Food commodities are expensed when the food is distributed. The amount expended is based on food commodity values provided by the State of Tennessee, Department of Agriculture. At June 30, 2023, the Agency had food commodities totaling \$389,290.

Note 8: SUBRECIPIENTS

The Agency did not provide federal funds to subrecipients for the fiscal year ending June 30, 2023.

Note 9: LOANS AND LOAN GUARANTEES DISTRIBUTED TO OTHERS

The Agency did not have any loans or loan guarantee programs required to be reported on the Schedule for the fiscal year ending June 30, 2023.

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, 2023.

South Central Human Resource Agency Summary Schedule of Prior Audit Findings

Financial Statement Findings

2022-002 Corrected

Federal Award Findings and Questioned Costs

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

**South Central Human Resource Agency
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

AL Number	Federal Program
93.600	Head Start Cluster

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$780,116 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | No |

Section II – Financial Statements Findings

No such findings noted.

Section III – Federal Award Findings and Questioned Costs

No such findings noted.