



**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2022**

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2022**

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
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## **INTRODUCTORY SECTION**

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
GOVERNING BOARD AND POLICY COUNCIL  
(County, City, and Town Mayors, and Legislators)  
First Tennessee District  
June 30, 2022**

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Note: All Agency board members are public officials, elected to office. They serve as First Tennessee Human Resource Agency (FTHRA) board members for their entire term in office.

Jason Cody, Executive Director

**Officers – as of June 30, 2022**

Mayor Mike Taylor, Johnson County – Chairman  
Mayor Curt Alexander, Elizabethton – Vice-Chairman  
Mayor Joe Grandy, Washington County – Secretary/Treasurer

**Members – as of June 30, 2022**

Mayor Jerry Jordan, Mountain City	Mayor Dean Rhea, Sneedville
Mayor Kevin Morrison, Greene County	Mayor Betsy Shipley, Bulls Gap
Mayor Thomas Harrison, Hancock County	Mayor Dennis Deal, Church Hill
Mayor Jim Lee, Hawkins County	Mayor Pat Stillwell, Mount Carmel
Mayor Kathy Bullen, Town of Unicoi	Mayor Jim Sells, Rogersville
Mayor Richard Venable, Sullivan County	Mayor Merrell Graham, Surgoinsville
Mayor Bubba Evely, Unicoi County	Mayor Richard Bowling, Bluff City
Mayor Patty Woodby, Carter County	Mayor Mahlon Luttrell, Bristol
Mayor Delisa LaFleur, Watauga	Mayor Pat Shull, Kingsport
Mayor Kenny Kerr, Baileyton	Mayor Glenn White, Erwin
Mayor W.T. Daniels, Greeneville	Mayor Joe Wise, Johnson City
Mayor David Myers, Mosheim	Mayor Chuck Vest, Jonesborough
Mayor Alan Corley, Tusculum	Senator Rusty Crowe
	Representative David Hawk

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
First Tennessee Human Resource Agency

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of the First Tennessee Human Resource Agency (the Agency), as of and for the year ended June 30, 2022, 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 and each major fund of the First Tennessee Human Resource Agency as of June 30, 2022, and the respective changes in financial position 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 these 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, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, and the schedule of contributions based on participation in the public employee pension plan of TCRS, on pages 5 through 11 and pages 38 through 40, respectively, be presented to supplement the basic financial statements. 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 supplementary section, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information and the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Blackburn, Childers & Steagall, PLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 13, 2022

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

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Overview of the Financial Statements

The financial statements for First Tennessee Human Resource Agency include: Government-wide Statement of Net Position, Government-wide Statement of Activities, Balance Sheet - Governmental Funds, Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, and Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities. In addition to these statements, Notes to the Financial Statements, Required Supplementary and Supplementary Information are provided.

The Balance Sheet - Governmental Funds shows assets, liabilities, and fund balance accounts. Information is provided for governmental fund types.

In the governmental fund types, all assets, liabilities and fund balances are broken down into the general fund and special revenue fund. The general fund accounts for all financial resources not accounted for in another fund. The special revenue fund accounts for resources related to grant agreements.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds shows the general fund and special revenue funds as discussed earlier.

The Notes to the Financial Statements provide detailed explanations that provide information essential to the understanding of the statements.

The supplementary information provided is used as a tool to explain further the financial information of the First Tennessee Human Resource Agency.

The following is a schedule of changes in net position from 2021 to 2022:

	<u>2021</u>	<u>2022</u>	<u>(Decrease) Increase</u>
Net Position - Total	\$ 18,511,589	20,649,007	2,137,418
Restricted	8,977,697	10,666,625	1,688,928
Unrestricted	5,617,462	5,703,656	86,194
Investment in Capital Assets	3,916,430	4,278,726	362,296

Total governmental activities revenues increased \$482,782 overall from \$12,201,357 in 2021 to \$12,684,139 in 2022. In-kind services included as revenue for 2022 were \$299,176.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

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Financial Highlights

The Agency's net position is \$20,649,007. Assets include cash and certificates of deposit/money market, receivables, prepaid expenses, equipment, land, building and kitchen inventories. Liabilities include payables to vendors, accrued salaries, and accrued leave liability. The following are some of the changes noted in the financial statements.

The Agency's fund balance of the Governmental Funds increased from \$13,685,038 in 2021 to \$13,743,109 in 2022.

	<u>2021</u>	<u>2022</u>
Current and Other Assets	\$ 14,190,286	15,622,836
Capital Assets	3,916,430	4,278,726
Net Pension Asset	465,740	1,984,643
Total Assets	<u>18,572,456</u>	<u>21,886,205</u>
Deferred Outflows Related to Pensions	<u>662,021</u>	<u>1,273,890</u>
Total Deferred Outflows of Resources	<u>662,021</u>	<u>1,273,890</u>
Long-Term Debt	148,638	154,565
Other Liabilities	483,858	504,285
Total Liabilities	<u>632,496</u>	<u>658,850</u>
Deferred Inflows Related to Pensions	<u>90,392</u>	<u>1,852,238</u>
Total Deferred Inflows of Resources	<u>90,392</u>	<u>1,852,238</u>
Net Position:		
Investment in Capital Assets	3,916,430	4,278,726
Restricted	8,977,697	10,666,625
Unrestricted	5,617,462	5,703,656
Total Net Position	<u>\$ 18,511,589</u>	<u>20,649,007</u>

Current and other assets increased \$1,432,550 in part due to increase in cash reserves as part of funds saved in our money market and certificates of deposit accounts as well as increase in grant receivables, due to timing of reimbursement requests. Increase in capital assets is due to current acquisitions charges and is further illustrated in note 5.

Increase in total net position of \$2,137,418 is due in part to current year revenues exceeding expenses as federal grant funds increased \$215,264, and contract revenues increased \$277,074, primarily related to Transportation.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

Schedule of Capital Assets

Category	Balance at 6/30/2021	Additions	Deletions	Balance at 6/30/2022
Furniture and Equipment	\$ 1,841,791	48,696	(3,249)	1,887,238
Vans - Nutrition	335,284	-	-	335,284
Vans - Transportation	4,371,781	198,532	(168,166)	4,402,147
Land	128,037	-	-	128,037
Buildings and Improvements	3,538,899	744,225	-	4,283,124
Vans - ACCP	29,327	-	-	29,327
Vans - ADS	38,890	-	-	38,890
	<u>\$ 10,284,009</u>	<u>991,453</u>	<u>(171,415)</u>	<u>11,104,047</u>

	2021	2022	Increase / (Decrease)
<b>REVENUES</b>			
Federal Financial Assistance	\$ 6,280,859	6,496,123	215,264
Other Financial Assistance	1,860,664	1,767,579	(93,085)
Local Contributions	224,396	136,697	(87,699)
Local Match	166,622	152,526	(14,096)
Contract Revenue	1,522,479	1,799,553	277,074
Program Income	39,336	81,851	42,515
Fares	225,444	285,304	59,860
Fee Revenue	1,367,066	1,441,681	74,615
Interest Income	30,070	9,810	(20,260)
Other Income	484,421	308,565	(175,856)
	<u>12,201,357</u>	<u>12,479,689</u>	<u>278,332</u>
<b>Total Revenues</b>			

<b>EXPENDITURES</b>			
Salaries and Wages	5,076,450	5,538,601	462,151
Fringe Benefits	1,381,683	1,483,146	101,463
Travel	35,369	55,819	20,450
Transportation - Clients	19,515	12,350	(7,165)
Facility Rent and Lease Payments	23,121	30,701	7,580
Consultants and Contracted Services	631,696	692,438	60,742
Communications	99,837	120,132	20,295
Utilities	85,454	92,937	7,483

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

	2021	2022	Increase / (Decrease)
<b>EXPENDITURES (CONTINUED)</b>			
Food Costs and Consumable Supplies	775,710	665,537	(110,173)
Maintenance and Repairs	277,859	370,411	92,552
Licenses and Insurance	161,954	188,165	26,211
Fuel and Oil	285,560	517,204	231,644
Training	24,481	42,123	17,642
Volunteer Stipends and Reimbursements	257,490	226,644	(30,846)
Payments to Home Day Cares	204,211	159,488	(44,723)
Miscellaneous	87,432	97,534	10,102
Capital Outlay - Major Equipment	558,585	991,453	432,868
<b>Total Expenditures</b>	<b>9,986,407</b>	<b>11,284,683</b>	<b>1,298,276</b>
<b>Net Change in Fund Balances</b>	<b>2,214,950</b>	<b>1,195,006</b>	<b>(1,019,944)</b>
Fund Balances, Beginning of Year	11,470,088	13,685,038	2,214,950
Prior Period Adjustment	-	(1,136,935)	(1,136,935)
Fund Balances, Beginning of Year (Restated)	11,470,088	12,548,103	1,078,015
<b>Fund Balances, End of Year</b>	<b>\$ 13,685,038</b>	<b>13,743,109</b>	<b>58,071</b>

Statement of Revenues by Source for 2021 and 2022

	6/30/2021	6/30/2022	Change	% Change
<b>REVENUES</b>				
Federal Financial Assistance	\$ 6,280,859	6,496,123	215,264	3.43%
Other Financial Assistance	1,860,664	1,767,579	(93,085)	-5.00%
Local Contributions	224,396	136,697	(87,699)	-39.08%
Local Match	166,622	152,526	(14,096)	-8.46%
Contract Revenue	1,522,479	1,799,553	277,074	18.20%
Program Income	39,336	81,851	42,515	108.08%
Fares	225,444	285,304	59,860	26.55%
Fee Revenue	1,367,066	1,441,681	74,615	5.46%
Interest Income	30,070	9,810	(20,260)	-67.38%
Other Income	484,421	308,565	(175,856)	-36.30%
<b>TOTAL REVENUES</b>	<b>\$ 12,201,357</b>	<b>12,479,689</b>	<b>278,332</b>	<b>2.28%</b>

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

Financial Analysis

Government-Wide Changes in Net Position

	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>Change</u>	<u>% Change</u>
<b>REVENUES</b>				
Program Revenues				
Charges for Services	\$ 3,545,343	3,897,615	352,272	9.94%
Operating Grants and Contributions	7,877,701	7,645,916	(231,785)	-2.94%
Capital Grants and Contributions	263,822	822,233	558,411	211.66%
General Revenues				
Unrestricted Investment Earnings	30,070	9,810	(20,260)	-67.38%
Other Income	484,421	308,565	(175,856)	-36.30%
Total Revenues	<u>12,201,357</u>	<u>12,684,139</u>	<u>482,782</u>	<u>3.96%</u>
<b>EXPENDITURES</b>				
Transportation	4,643,191	5,333,653	690,462	14.87%
Misdemeanor Probation	971,820	988,182	16,362	1.68%
Alternative Community Corrections	616,550	606,341	(10,209)	-1.66%
Nutrition	1,800,768	1,651,586	(149,182)	-8.28%
Senior Services	800,042	627,784	(172,258)	-21.53%
Foster Grandparents	332,375	327,014	(5,361)	-1.61%
Family Support I	307,502	280,053	(27,449)	-8.93%
Child Care Food	253,246	197,811	(55,435)	-21.89%
Adult Day Services	301,129	341,179	40,050	13.30%
Imagination Library	8,582	9,073	491	5.72%
Discretionary	305,455	184,045	(121,410)	-39.75%
Total Expenditures	<u>10,340,660</u>	<u>10,546,721</u>	<u>206,061</u>	<u>1.99%</u>
Increase (Decrease) in Net Position	1,860,697	2,137,418	276,721	
Net Position, Beginning	<u>16,650,892</u>	<u>18,511,589</u>	<u>1,860,697</u>	
Net Position, Ending	<u>\$ 18,511,589</u>	<u>20,649,007</u>	<u>2,137,418</u>	

As stated previously, increase in total net position of \$2,137,418 is due in part to current year revenues exceeding expenses as federal grant funds increased \$215,264, and contract revenues increased \$277,074, primarily related to Transportation.



**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

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Analysis of overall financial position

A major portion of Agency funding is received through federal and state grants. With the increase in private contracts and fees, and consistent funding through Federal and state grants, the outlook for the Agency is good. The Agency is constantly seeking ways to minimize costs and increase service.

Program highlights

The Agency administers several programs affecting a wide range of clients in an eight county area. Some of the services provided are: Nutrition for the elderly and disabled, Transportation services, Misdemeanor Probation Program (CCI), Alternative Community Corrections Program (which provides clients the opportunity to avoid jail by using a house arrest situation), Protective Service Homemaker, Child Care Food and Adult Day Services.

Adult Day Services Program – provides a structured program of personalized care for adults who are physically, socially, emotionally and mentally challenged, or very frail due to advanced age while helping maintain their independence.

Alternative Community Corrections Program – designed to divert convicted felony offenders from incarceration by providing intensive supervision and structured rehabilitative services in the community.

Child Care Food Program – provides reimbursement for meals to child care providers who operate in-home day cares, ensuring nutritious meals for children in the homes.

Protective Service Homemaker Program – provides protective supervision, teaches and performs homemaking skills, teaches household management skills, provides grocery and household shipping, personal care, cooking and nutritional instruction, budgeting and some transportation services to adults determined by the Department of Human Services to be in threat or harm due to physical abuse, emotional abuse or gross neglect.

Nutrition Program – provides hot meals to persons over 60 or disabled persons 18-59 years old to ensure proper nutrition and to enhance one's ability to maintain independence.

Transportation Program – provides the general public with vital transportation services in the non-urban areas of Northeast Tennessee.

Senior Employment Program – provides federally funded job training assistance to low-income, unemployed individuals who are at least 55 years old.

Foster Grandparent – provides volunteer opportunities for people aged 60 and older from all economic, educational and social backgrounds to serve children and teenagers who have special needs as well as their families.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2022**

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The Agency received contributions from several organizations and private donors. The largest contributors were United Way of Greene and Washington Counties. A schedule of largest contributors follows: Greene County United Way: \$30,500; Washington County United Way: \$6,833; United Way of Kingsport: \$14,842; Carriger Foundation: \$26,294, and Shipley family \$28,000.

**COVID-19 IMPACT AND AGENCY RESPONSE**

First Tennessee Human Resource Agency despite the challenges of the pandemic continued to operate and provide services to vulnerable citizens during this time. The pandemic continues to be a factor in agency operations. The agency is unable to purchase needed vehicles to replace vans that have become obsolete due to excessive mileage or overextended useful lives.

Questions concerning any of the information provided in this report should be addressed to the Office of the Director of Finance, 704 Rolling Hills Drive, Johnson City, Tennessee 37604.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 13,205,797
Investments	1,751
Accounts Receivable	249,516
Intergovernmental Receivables	2,129,181
Inventories	34,060
Prepaid Expenses	2,531
Capital Assets	
Land	128,037
Other Capital Assets, Net of Accumulated Depreciation	4,150,689
Net Pension Asset	1,984,643
<b>Total Assets</b>	<b>21,886,205</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to the Pension	1,273,890
 <b>LIABILITIES</b>	
Accounts Payable	145,573
Accrued Payroll	358,712
Noncurrent Liabilities	
Due In More Than One Year	154,565
<b>Total Liabilities</b>	<b>658,850</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to the Pension	1,852,238
 <b>NET POSITION</b>	
Investment in Capital Assets	4,278,726
Restricted - Grant Programs	8,681,982
Restricted - Net Pension Asset	1,984,643
Unrestricted	5,703,656
<b>TOTAL NET POSITION</b>	<b>\$ 20,649,007</b>

See accompanying notes to the financial statements.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities						
Transportation	\$ 5,333,653	344,580	2,042,038	3,269,615	822,233	455,653
Misdemeanor Probation	988,182	66,598	1,416,166	-	-	361,386
Alternative Community Corrections	606,341	42,475	10,281	615,878	-	(22,657)
Nutrition	1,651,586	110,294	136,345	1,958,501	-	332,966
Senior Services	627,784	43,795	20,535	681,986	-	30,942
Foster Grandparents	327,014	5,191	28,500	315,776	-	12,071
Family Support	280,053	18,164	33,138	290,022	-	24,943
Child Care Food	197,811	2,721	-	199,012	-	(1,520)
Adult Day Services	341,179	23,405	79,629	194,286	-	(90,669)
Imagination Library	9,073	-	8,233	-	-	(840)
Discretionary	184,045	(657,223)	122,750	120,840	-	716,768
Total Governmental Activities	<u>10,546,721</u>	<u>-</u>	<u>3,897,615</u>	<u>7,645,916</u>	<u>822,233</u>	<u>1,819,043</u>
			General Revenues			
			Unrestricted Investment Earnings			9,810
			Other Income			308,565
			Total General Revenues			<u>318,375</u>
			Change in Net Position			2,137,418
			Net Position - Beginning			<u>18,511,589</u>
			Net Position - Ending			<u>\$ 20,649,007</u>

See accompanying notes to the financial statements.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,689,068	9,516,729	13,205,797
Investments	1,751	-	1,751
Accounts Receivable	8,895	240,621	249,516
Intergovernmental Receivables	-	2,129,181	2,129,181
Prepaid Expenses	1,434	1,097	2,531
<b>TOTAL ASSETS</b>	<b>\$ 3,701,148</b>	<b>11,887,628</b>	<b>15,588,776</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	145,573	145,573
Accrued Payroll	320,659	38,053	358,712
<b>TOTAL LIABILITIES</b>	<b>320,659</b>	<b>183,626</b>	<b>504,285</b>
<b>DEFERRED INFLOWS</b>			
Unavailable Revenues	-	1,341,382	1,341,382
<b>FUND BALANCES</b>			
Nonspendable	1,434	1,097	2,531
Restricted	-	8,681,982	8,681,982
Assigned	3,685	1,961,698	1,965,383
Unassigned	3,375,370	(282,157)	3,093,213
<b>TOTAL FUND BALANCES</b>	<b>3,380,489</b>	<b>10,362,620</b>	<b>13,743,109</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,701,148</b>	<b>11,887,628</b>	<b>15,588,776</b>

See accompanying notes to the financial statements.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2022**

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Total Fund Balances - Governmental Funds	\$ 13,743,109
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Inventories are considered expenditures at the fund level, and assets in the governmental activities.	34,060
Long-term obligations, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(154,565)
Amounts reported as deferred outflows of resources, \$1,273,890, and deferred inflows of resources, (\$1,852,238), related to pensions will be amortized and recognized as components of pension expense in future years.	(578,348)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,341,382
The net pension asset is not a current financial resource, and therefore, is not reported in the governmental funds.	1,984,643
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of the assets is \$11,104,047 and the accumulated depreciation is (\$6,825,321).	<u>4,278,726</u>
Total Net Position - Governmental Activities	<u><u>\$ 20,649,007</u></u>

See accompanying notes to the financial statements.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Federal Financial Assistance	\$ -	6,496,123	6,496,123
Other Financial Assistance	120,840	1,646,739	1,767,579
Local Contributions	7,801	128,896	136,697
Local Match	114,946	37,580	152,526
Contract Revenue	-	1,799,553	1,799,553
Program Income	-	81,851	81,851
Fares	-	285,304	285,304
Fee Revenue	-	1,441,681	1,441,681
Interest Income	9,810	-	9,810
Other Income	180,456	128,109	308,565
<b>TOTAL REVENUES</b>	<b>433,853</b>	<b>12,045,836</b>	<b>12,479,689</b>
<b>EXPENDITURES</b>			
Current			
Salaries and Wages	351,457	5,187,144	5,538,601
Fringe Benefits	53,634	1,429,512	1,483,146
Travel	3,379	52,440	55,819
Transportation - Clients	-	12,350	12,350
Facility Rent and Lease Payments	869	29,832	30,701
Consultants and Contracted Services	157,788	534,650	692,438
Communications	20,454	99,678	120,132
Utilities	11,713	81,224	92,937
Food Costs and Consumable Supplies	-	665,537	665,537
Maintenance and Repairs	47,567	322,844	370,411
Licenses and Insurance	1,474	186,691	188,165
Fuel and Oil	166	517,038	517,204

(Continued)

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

	General Fund	Special Revenue Fund	Total Governmental Funds
EXPENDITURES (CONTINUED)			
Current (Continued)			
Training	5,120	37,003	42,123
Payments to Home Day Cares	-	159,488	159,488
Volunteer Stipends and Reimbursements	-	226,644	226,644
Miscellaneous	50,127	47,407	97,534
Capital Outlay			
Major Equipment	743,649	247,804	991,453
Indirect Costs	(657,223)	657,223	-
<b>TOTAL EXPENDITURES</b>	<b>790,174</b>	<b>10,494,509</b>	<b>11,284,683</b>
Net Change in Fund Balances	(356,321)	1,551,327	1,195,006
Fund Balances - Beginning	3,736,810	9,948,228	13,685,038
Prior Period Adjustment	-	(1,136,935)	(1,136,935)
Fund Balances - Beginning (Restated)	3,736,810	8,811,293	12,548,103
Fund Balances - Ending	<u>\$ 3,380,489</u>	<u>10,362,620</u>	<u>13,743,109</u>

See accompanying notes to the financial statements.



**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022**

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Total Net Change in Fund Balances - Governmental Funds \$ 1,195,006

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

Inventory is reported in governmental funds as expenditures. However, at the government-wide level the expenses are reported as the inventory is used. This is the net change in inventory balances during the year. 12,670

Revenues in state statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the net change in Unavailable Revenue balances during the year. 204,447

Accrued Compensated Absences are expenses at the government-wide level and are not recorded at the fund level. This amount represents the change in the accrual. (5,927)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This is the net amount of the change in Deferred Outflows of Resources Related to Pensions \$611,869, change in Deferred Inflows of Resources Related to Pensions (\$1,761,846), and the change in Net Pension Asset \$1,518,903. 368,926

Capital outlays are reported in governmental funds 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 outlays of \$991,453 exceeds depreciation expense of \$629,157. 362,296

Change in Net Position - Governmental Activities \$ 2,137,418

See accompanying notes to the financial statements.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The First Tennessee Human Resource Agency (the Agency) was established in 1974 in accordance with Title 13, Chapter 26, as amended, of the *Tennessee Code Annotated* (TCA). This legislation provides a regional system to deliver human resource programs in the State's counties and cities. The eight Tennessee counties of the Agency conform to the state-designated planning region boundaries of the first congressional district and include Carter, Greene, Hancock, Hawkins, Johnson, Sullivan, Unicoi, and Washington Counties. For financial reporting purposes, the Agency includes all fund types over which the Board of Directors exercises oversight responsibility.

The Agency is also formed as a non-profit organization under Internal Revenue Code (IRC) Section 501(c)(3). However, due to the fact that the Agency was formed under the TCA and the Board of Directors are the area mayors, the financial statements of the Agency are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to special-purpose 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 accounting policies established in GAAP and used by the Agency are discussed below.

**Reporting Entity**

The Agency's basic financial statements include both government-wide (reporting Agency as a whole) and fund financial statements (reporting the Agency's major funds). The financial statements include the funds of all Agency operations.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. The Agency (*primary government*) consists of *governmental activities*, which are normally supported by intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Grants with a general purpose and other items not properly included among program revenues are reported instead as *general revenues*.

Separate fund financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Accordingly, all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position.

During the course of operations, the Agency has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. As of June 30, 2022, there were no such amounts reflected on the fund financial statements. Certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers expenditure-driven grant revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are typically recorded as fund liabilities when due.

*Governmental Funds* - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Agency reports the following major governmental funds:

The *General Fund* is the primary government's principal operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Fund* is the primary government's grant fund. It accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Major Sources of Revenue**

*Federal and State Grant Revenue* - Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

*State Financial Assistance* - State financial assistance is appropriated annually by the Tennessee Legislature and is recognized at the beginning of each year upon notification of the amount of the award from the Office of the Governor.

*Local Contributed Cash* - Contributions to grant programs from local governments and other organizations are recognized as revenue when grant expenditures are incurred.

*Program Income* - Program income includes fares, fees and contributions for services provided by Agency programs. Income is recorded as revenue when received in cash because it is generally not measurable until actually received.

*In-Kind Contributed Services* - The Agency receives contributed services provided by individuals, private organizations, and local governments, which are used to match federal funding on various grants. While the Agency does record these to track them for grant purposes, these services are not recorded in either the revenues or expenditures in the accompanying financial statements.

*Other Revenues* - Other revenues are composed primarily of interest. Interest income is recorded as earned when it is measurable and available.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits and Investments**

The Agency's cash is considered to be cash on hand, demand deposits, and money market funds. The State of Tennessee statutes impose various restrictions on the Agency's deposits, including that all deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. At June 30, 2022, all cash and cash equivalent balances were insured either by the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Bank Collateral Pool.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)**

**2. Receivables and Payables**

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

Payments due to vendors are typically reported as accounts payable in the financial statements.

**3. Prepaid Expenses**

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid in the financial statements.

**4. Inventories**

Inventories consisting of food and supplies are valued at cost and are accounted on the government-wide financial statements by the first-in, first-out method of accounting.

**5. Capital Assets**

Capital assets are reported at historical cost in the governmental activities column in the government-wide financial statements. Capital assets are generally defined by the Agency as assets with an original individual cost equal to or greater than \$2,500 and an estimated useful life in excess of one year. Capital assets and related depreciation expense are not recorded for governmental fund financial statement purposes. However, when depreciation is an allowable grant expenditure, it is allocated to grants in the governmental funds using the straight-line method over their estimated useful lives beginning in the year subsequent to the acquisition.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Improvements	15-40
Furniture and Equipment	5
Vehicles	5

**6. Unearned Revenue**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. There were no unearned revenues in the current year.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)**

**7. Compensated Absences**

Each employee of the Agency, from beginning employment date up to five years, except temporary and part-time employees, receives one working day of vacation for each month of employment or major portion thereof. Employees with five to ten years of service accrue 1 1/2 days of vacation per month. Employees with more than ten but less than twenty years of service accrue 1 3/4 days of vacation per month, and employees with more than twenty years of service accrue two days per month. Employees who work less than 40 hours per week earn vacation leave on a proportionate basis to that cited above based on the number of hours regularly scheduled for the position and normally worked by the employee. At the beginning of the Agency's fiscal year (July 1), an employee may carry over from the preceding fiscal year no more than 24 days (192 hours) of accrued vacation. Any vacation leave accrued in excess of 192 hours will be converted at June 30 to sick leave. Some Agency funding contracts prohibit the carryover of vacation leave from one contract year to the next. Any employee whose position is funded through a contract with this provision may be required to use all accrued vacation leave during the contract period. When allowable as a grant expenditure, accrued compensated absence expenditures are allocated to grants, through salaries, wages, and fringe benefits, in the governmental funds, and the Agency receives reimbursement from grant contracts accordingly. Therefore, both the current and long-term portions, as applicable, of the vacation accrual are presented as noncurrent liabilities on the Statement of Net Position to disclose the Agency's funded obligations. The Agency's sick leave policy permits the accumulation of 12 sick days per year. Employees are not paid for unused sick days upon termination of employment. Accordingly, sick pay is charged to expenses when taken, and no provision has been made in the financial statements for unused sick leave. Changes long-term obligations consisting of compensated absences for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 148,638	5,927	-	154,565	-
Governmental Activities					
Noncurrent Liabilities	\$ 148,638	5,927	-	154,565	-

Compensated absences were liquidated by the special revenue fund and the general fund in previous years.

**8. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)**

**9. Economic Dependency**

The Agency is dependent upon financial resources flowing from, or associated with, both the federal government and State of Tennessee. Because of this dependency, the Agency is subject to changes in specific flows of intergovernmental revenues based on modification to federal and state laws and federal and state appropriations. Without the continued support from government agencies, the Agency would be unable to continue to provide its current level of services.

In addition, one of the programs operated by the Agency is dependent upon the continued relationship with various court systems in the region.

**10. Net Position and Fund Balance**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, when applicable, this amount would be reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets; there are no such borrowings at June 30, 2022.
- Restricted Net Position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that does not meet the definition of restricted or net investment in capital assets.

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 following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – Amounts that are in nonspendable form (such as prepaid expenses) are required to remain intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)**

**10. Net Position and Fund Balance (Continued)**

- Committed Fund Balance – Amounts constrained to specific purposes by the Agency itself, using an ordinance, its highest level of decision making authority. The governing Board is the highest level of decision making authority for the Agency. To be reported as committed, amounts cannot be used for any other purpose unless the Agency takes the same highest level action to change or remove the constraint. Formal action via ordinance is required to establish, modify or rescind a fund balance commitment.
- Assigned Fund Balance – Amounts the Agency intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates authority.
- Unassigned Fund Balance – Amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then committed funds, then assigned funds, and then unassigned or unrestricted funds.

**11. Pension**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the Agency's participation in the Public Employee 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 Employee 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.

**12. Deferred Outflows / Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency has an item that qualifies for reporting in this category and is reported in the government-wide Statement of Net Position. This item is for employer contributions made to the pension plan after the measurement date, differences between expected and actual experience, and the changes in actuarial assumptions.



**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)**

**12. Deferred Outflows / Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents 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 has an item that qualifies for reporting in this category and is reported in the government-wide Statement of Net Position. This item is for pension changes in experience and the net difference between projected and actual earnings on pension plan investments. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**13. Donated Services**

A substantial number of volunteers have donated significant amounts of time to the activities of the Agency that are not recognized as contributions in the financial statements since the required criteria are not met. Such services approximated \$299,176 during the year ended June 30, 2022 and are used to satisfy in-kind matching requirements of various grant agreements.

**14. New Accounting Pronouncement**

In June 2017, the Governmental Accounting Standards Board (GASB) issued Governmental Accounting Standards (GASB Statement) No. 87 *Leases*. GASB Statement No. 87 requires governmental entities to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Agency had no leases meeting the requirements to recognize right-of-use assets or liabilities at June 30, 2022.

**NOTE 2 - BUDGETARY INFORMATION AND REPORTING**

The Board of Directors approves a cost allocation plan for the General Fund and Special Revenue Fund programs. As a part of the cost allocation approved, the Agency allocates indirect expenditures, primarily comprised of administration of operating functions necessary to support the Agency's various programs and includes expenses such as salaries and wages, fringe benefits, travel, Board of Directors' expenses, office expenses and other central administrative services.

The Agency's cost allocation (budget) is prepared on a budgetary basis, combining General and Special Revenue Funds and allocating unrestricted resources and in-kind services in order to budget by program.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 2 - BUDGETARY INFORMATION AND REPORTING (CONTINUED)**

The Agency's budget is a management tool that assists in analyzing financial activity for its fiscal year ending June 30, but greater emphasis is placed on complying with grant budgets, terms and conditions on a grant-by-grant basis. These terms and conditions normally specify the period during which costs may be incurred and outline budget restrictions or allowances. In light of the Agency's dependency on federal, state, and local budgetary decisions, the revenue estimates are based upon the best available information as to potential sources of funding.

While the Board of Directors approves and seeks external approval of a cost allocation on a budgetary basis, the Board does not formally approve an annual budget by GAAP nor do they formally approve an amended cost allocation budget during the fiscal year. Since the Agency is a non-profit organization, they are not required to have a legally adopted budget for the entity as a whole.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The Agency's cash and cash equivalents on the Statement of Net Position include cash on hand, money market accounts and demand deposits.

The Agency is responsible for receiving and disbursing funds. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

**DEPOSITS:** State statutes require all deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Agency. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

**INVESTMENTS:** State statutes authorize the Agency to invest in treasury bonds, notes or bills of the United States of America (United States); nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States government or any of its agencies; certificates of deposit and other evidences of deposit at State and federal chartered banks and savings and loan associations; obligations of the United States government or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Specifically, the LGIP was established under TCA Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee.

These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States agency securities, repurchase agreements, and United States treasuries.

**Deposits**

The bank deposits are insured by FDIC insurance, with amounts in excess of FDIC limits secured by the financial institutions through the State Collateral Pool. At fiscal year end, the Agency has \$2,248 of cash on hand which has been included in cash and cash equivalents. The Agency's carrying amount of deposits was \$13,203,549 and the bank balance was \$13,314,002. The Agency does not have a policy for interest rate risk or other credit risk other than following the State of Tennessee guidelines.

The Agency's deposits with financial institutions and cash on hand are reflected on the Statement of Net Position as follows:

Cash on Hand	\$	2,248
Cash in Bank		<u>13,203,549</u>
 Total Cash and Cash Equivalents		 <u><u>\$ 13,205,797</u></u>

**Investments**

Investments of \$1,751 represent funds with the LGIP account and are comprised of short-term investments measured at amortized cost, which approximates fair value, with weighted average maturity (days) ranging from 1 to 44.

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUES**

Accounts receivable as of June 30, 2022 are as follows:

	General Fund	Special Revenue Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Accounts Receivable			
Accounts Receivable	\$ 8,895	240,621	249,516
Intergovernmental Receivables	-	<u>2,129,181</u>	<u>2,129,181</u>
	<u>\$ 8,895</u>	<u><u>2,369,802</u></u>	<u><u>2,378,697</u></u>

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUES (CONTINUED)**

The Agency considers all of its governmental fund receivables to be collectible within one year. The \$2,129,181 balance consists of grant reimbursement requests for various Agency grant programs.

In addition, during the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Since the Agency operates with a cash management system, these transactions are reflected through the respective cash account and no interfund receivable or payable accounts are necessary.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 128,037	-	-	128,037
Capital Assets Being Depreciated				
Building and Improvements	3,538,899	744,225	-	4,283,124
Furniture and Equipment	1,841,791	48,696	(3,249)	1,887,238
Vans - Adult Day Services	38,890	-	-	38,890
Vans - Nutrition	335,284	-	-	335,284
Vans - Alternative Community Corrections	29,327	-	-	29,327
Vans - Transportation	4,371,781	198,532	(168,166)	4,402,147
Total Capital Assets Being Depreciated	10,155,972	991,453	(171,415)	10,976,010
Less Accumulated Depreciation For				
Building and Improvements	(828,839)	(102,152)	-	(930,991)
Furniture and Equipment	(1,632,646)	(65,522)	3,249	(1,694,919)
Vans - Adult Day Services	(38,890)	-	-	(38,890)
Vans - Nutrition	(201,187)	(45,619)	-	(246,806)
Vans - Alternative Community Corrections	(29,327)	-	-	(29,327)
Vans - Transportation	(3,636,690)	(415,864)	168,166	(3,884,388)
Total Accumulated Depreciation	(6,367,579)	(629,157)	171,415	(6,825,321)
Net Capital Assets Being Depreciated	3,788,393	362,296	-	4,150,689
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,916,430	362,296	-	4,278,726

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

An immaterial portion of the Agency's assets are jointly-owned by the State of Tennessee's Alternative Community Corrections Program.

Depreciation expense was charged to functions/programs of the Agency as follows:

Governmental Activities:	
Transportation	\$ 415,864
Nutrition	45,619
Discretionary	<u>167,674</u>
Total	<u><u>\$ 629,157</u></u>

**NOTE 6 - FUND BALANCE CLASSIFICATIONS**

Fund balance classifications are presented in the governmental funds Balance Sheet and described in Note 1. The details of those fund balance classifications for the major Special Revenue Fund are as follows.

	Nonspendable	Restricted	Assigned	Unassigned	Total
Transportation	\$ 604	3,467,095	-	-	3,467,699
Job Access	-	1,713,637	-	-	1,713,637
Misdemeanor Probation	64	-	1,924,529	-	1,924,593
Alternative Community Corrections	13	-	-	(179,474)	(179,461)
Nutrition	8	2,042,933	37,169	-	2,080,110
Child Care Food	-	36,970	-	-	36,970
Senior Services	4	-	-	(102,683)	(102,679)
Foster Grandparents	-	318,320	-	-	318,320
Family Support I	404	243,146	-	-	243,550
Adult Day Services	-	837,588	-	-	837,588
Imagination Library	-	22,293	-	-	22,293
Total	<u><u>\$ 1,097</u></u>	<u><u>8,681,982</u></u>	<u><u>1,961,698</u></u>	<u><u>(282,157)</u></u>	<u><u>10,362,620</u></u>

The fund balance for the General Fund is considered unassigned, except for \$3,685 which is considered assigned for the Imagination Library and \$1,434 which is considered nonspendable.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 7 - EMPLOYEE RETIREMENT PROGRAM**

**General Information about the Pension Plan**

***Plan Description***

Employees of the Agency are provided a defined benefit 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 publically 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.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 7 - EMPLOYEE RETIREMENT PROGRAM (CONTINUED)**

***Employees Covered by Benefit Terms***

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	169
Active employees	115
	385
	385

***Contributions***

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees of the Agency are permitted to make voluntary contributions to the plan. 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, 2022, the employer contributions for the Agency were \$406,526 based on a rate of 7.59 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Agency's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The Agency's net pension liability (asset) was measured as of June 30, 2021, 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 June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 7 - EMPLOYEE RETIREMENT PROGRAM (CONTINUED)**

***Actuarial Assumptions (Continued)***

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.

***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.

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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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%
		<u>100.00%</u>

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.



**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 7 - EMPLOYEE RETIREMENT PROGRAM (CONTINUED)**

***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 the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2020	\$ 10,642,370	11,108,110	(465,740)
Changes for the year:			
Service Cost	391,988	-	391,988
Interest	781,582	-	781,582
Differences Between Expected and Actual Experience	(372,793)	-	(372,793)
Changes in Assumptions	1,022,129	-	1,022,129
Contributions - Employer	-	386,129	(386,129)
Contributions - Employees	-	103,684	(103,684)
Net Investment Income	-	2,861,942	(2,861,942)
Benefit Payments, Including Refunds of Employee Contributions	(507,821)	(507,821)	-
Administrative Expense	-	(9,946)	9,946
Net Changes	<u>1,315,085</u>	<u>2,833,988</u>	<u>(1,518,903)</u>
Balance at 6/30/2021	<u>\$ 11,957,455</u>	<u>13,942,098</u>	<u>(1,984,643)</u>

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 7 - EMPLOYEE RETIREMENT PROGRAM (CONTINUED)**

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
First Tennessee Human Resource Agency's Net Pension Liability (Asset)	\$ (325,569)	(1,984,643)	(3,348,577)

**Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension**

***Pension Expense (Negative Pension Expense)***

For the year ended June 30, 2022, the Agency recognized pension expense (negative pension expense) of \$37,600.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2022, 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	\$ 67,575	324,791
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,527,447
Changes in Assumptions	799,789	-
Contributions Subsequent to the Measurement Date of June 30, 2021	406,526	-
	\$ 1,273,890	1,852,238

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 7 - EMPLOYEE RETIREMENT PROGRAM (CONTINUED)**

***Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:		
2023	\$	(177,553)
2024		(194,904)
2025		(200,885)
2026		(411,532)
2027		-
Thereafter		-

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

**NOTE 8 - RISK MANAGEMENT ACTIVITIES AND INSURANCE COVERAGE**

The Agency participates in the Public Entity Partners (PEP) (the Pool) for the following risks of loss: commercial general liability; personal injury liability; theft of, damage to, or destruction of real and personal property; public officers’ liability; automobile insurance; and workers’ compensation and employers’ liability. The Agency’s agreement with the Pool provides for payment of annual premiums. The agreement also provides for refunds to members and additional member assessments. Additional member assessments are made based on the experience of the Pool. Additional member assessments have not been imposed in any of the past three years.

**NOTE 9 - CONTINGENCIES AND UNCERTAINTIES**

Since the Agency is a non-profit under IRC Section 501(c)(3), they file a form 990 annually. Although the Agency does not follow Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) guidance for their accounting, they do follow FASB ASC guidance on accounting for uncertainty in income taxes recognized in an organization’s financial statements. As of June 30, 2022, the Agency had no uncertain tax positions that qualify for either recognition or disclosure in the Agency’s financial statements. The Agency’s policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. No interest or penalties were recorded during the year ended June 30, 2022.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 9 - CONTINGENCIES AND UNCERTAINTIES (CONTINUED)**

Various claims and lawsuits are pending against the Agency. In the opinion of the Agency's management, after consulting with legal counsel, the potential loss on all claims and lawsuits is not determinable as the legal counsel will vigorously defend the Agency, and some claims are still in the discovery phase.

**NOTE 10 - PRIOR PERIOD ADJUSTMENT**

Prior period adjustments of \$1,136,935 in the special revenue fund, was recorded to correct an error in recording deferred inflows of resources for grant funds received outside the Agency's 60-day period of availability. The effect of this error was to decrease beginning fund balance in the special revenue fund by \$1,136,935.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED  
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS  
Last Fiscal Year Ending June 30**

	2014	2015	2016	2017	2018	2019	2020	2021
<b>TOTAL PENSION LIABILITY</b>								
Service Cost	\$ 220,944	258,645	276,355	322,009	437,893	408,368	407,864	391,988
Interest	474,156	503,447	541,128	584,195	649,432	682,437	732,055	781,582
Differences Between Actual and Expected Experience	(106,515)	16,310	38,798	287,951	(225,980)	9,477	31,586	(372,793)
Change of Assumptions	-	-	-	199,162	-	-	-	1,022,129
Benefit Payments, Including Refunds of Employee Contributions	(217,485)	(253,995)	(333,405)	(322,003)	(359,573)	(393,588)	(437,173)	(507,821)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>371,100</b>	<b>524,407</b>	<b>522,876</b>	<b>1,071,314</b>	<b>501,772</b>	<b>706,694</b>	<b>734,332</b>	<b>1,315,085</b>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<b>6,209,875</b>	<b>6,580,975</b>	<b>7,105,382</b>	<b>7,628,258</b>	<b>8,699,572</b>	<b>9,201,344</b>	<b>9,908,038</b>	<b>10,642,370</b>
<b>TOTAL PENSION LIABILITY - ENDING (a)</b>	<b>\$ 6,580,975</b>	<b>7,105,382</b>	<b>7,628,258</b>	<b>8,699,572</b>	<b>9,201,344</b>	<b>9,908,038</b>	<b>10,642,370</b>	<b>11,957,455</b>
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions - Employer	\$ 321,997	228,535	249,479	418,910	385,147	421,510	412,465	386,129
Contributions - Employees	-	3,095	28,732	81,293	99,067	106,526	111,806	103,684
Net Investment Income	1,048,391	228,497	201,893	889,980	736,347	724,048	523,147	2,861,942
Benefit Payments, Including Refunds of Employee Contributions	(217,485)	(253,995)	(333,405)	(322,003)	(359,573)	(393,588)	(437,173)	(507,821)
Administrative Expense	(4,598)	(6,128)	(9,852)	(12,935)	(13,630)	(12,136)	(11,378)	(9,946)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>1,148,305</b>	<b>200,004</b>	<b>136,847</b>	<b>1,055,245</b>	<b>847,358</b>	<b>846,360</b>	<b>598,867</b>	<b>2,833,988</b>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<b>6,275,124</b>	<b>7,423,429</b>	<b>7,623,433</b>	<b>7,760,280</b>	<b>8,815,525</b>	<b>9,662,883</b>	<b>10,509,243</b>	<b>11,108,110</b>
<b>PLAN FIDUCIARY NET POSITION - ENDING (b)</b>	<b>\$ 7,423,429</b>	<b>7,623,433</b>	<b>7,760,280</b>	<b>8,815,525</b>	<b>9,662,883</b>	<b>10,509,243</b>	<b>11,108,110</b>	<b>13,942,098</b>
<b>NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)</b>	<b>\$ (842,454)</b>	<b>(518,051)</b>	<b>(132,022)</b>	<b>(115,953)</b>	<b>(461,539)</b>	<b>(601,205)</b>	<b>(465,740)</b>	<b>(1,984,643)</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	<b>112.80%</b>	<b>107.29%</b>	<b>101.73%</b>	<b>101.33%</b>	<b>105.02%</b>	<b>106.07%</b>	<b>104.38%</b>	<b>116.60%</b>
<b>COVERED PAYROLL</b>	<b>\$ 3,093,718</b>	<b>3,204,187</b>	<b>3,498,933</b>	<b>4,654,557</b>	<b>4,279,407</b>	<b>4,215,090</b>	<b>4,124,646</b>	<b>3,861,288</b>
<b>NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>-27.23%</b>	<b>-16.17%</b>	<b>-3.77%</b>	<b>-2.49%</b>	<b>-10.79%</b>	<b>-14.26%</b>	<b>-11.29%</b>	<b>-51.40%</b>

*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 68 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 the TCRS GASB website for prior years' data, if needed.

See Independent Auditors' Report.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION  
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS  
Last Fiscal Year Ending June 30**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 321,997	228,535	249,479	331,870	385,415	379,359	313,061	293,072	406,526
Contributions in Relation to the Actuarially Determined Contribution	321,997	228,535	249,479	418,910	385,415	421,510	412,465	386,129	406,526
Contribution Deficiency (Excess)	\$ -	-	-	(87,040)	-	(42,151)	(99,404)	(93,057)	-
Covered Payroll	\$ 3,093,718	3,204,187	3,498,933	4,654,557	4,279,407	4,215,090	4,124,646	3,861,288	5,356,074
Contributions as a Percentage of Covered Payroll	10.41%	7.13%	7.13%	9.00%	9.00%	10.00%	10.00%	10.00%	7.59%

GASB 68 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 the TCRS GASB website for prior years' data, if needed.

See Independent Auditors' Report.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2022**

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Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50%
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.25 percent

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased 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.

See Independent Auditors' Report.



**SUPPLEMENTARY INFORMATION SECTION**

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2022**

Federal Assistance Listing Number	Program Name/ Grant Number	Grant Number	Grantor Agency	Expenditures
Aging Cluster				
Pass-through the State of TN Commission on Aging				
Through the First Tennessee Development District				
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	HRA-2022-NHTC-50	U.S. Department of Human Services	\$ 1,064,754
State of Tennessee CARES Act Funding				
93.045	COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	N/A	Tennessee Department of Human Services	137,486
Pass-through the State of TN Department of Human Services				
Through the First Tennessee Development District				
93.053	Nutrition Services Incentive Program	HRA-2022-NHTC-50	U.S. Department of Agriculture	152,100
	Total Aging Cluster			<u>1,354,340</u>
Pass-through the State of TN Department of Human Services				
93.778	Medical Assistance Program/CHOICES		U.S. Department of Human Services	373,075
	Total Medical Assistance Programs/CHOICES			<u>373,075</u>
93.667	Social Services Block Grant	GG-Z-21-49303	U.S. Department of Human Services	12,750
93.667	Social Services Block Grant	GG-Z-22-49303	U.S. Department of Human Services	157,652
93.667	COVID-19 - Social Services Block Grant	GG-Z-22-49353	U.S. Department of Human Services	7,098
93.667	Social Services Block Grant	GG-21-49304	U.S. Department of Human Services	69,049
93.667	Social Services Block Grant	GG-22-49304	U.S. Department of Human Services	212,813
93.667	COVID-19 - Social Services Block Grant	GG-22-49354	U.S. Department of Human Services	8,160
	Total Adult Day Services and Family Support			<u>467,522</u>
10.558	Child Care Food Program	03-47-64085-00-9	U.S. Department of Agriculture	194,815
10.558	COVID-19 Child Care Food Program	03-47-64085-00-9	U.S. Department of Agriculture	4,197
10.558	Adult Day Care Food Program	03-47-40001-00-2	U.S. Department of Agriculture	15,073
10.558	COVID-19 Adult Day Care Food Program	03-47-40001-00-2	U.S. Department of Agriculture	1,713
	Total U.S. Department of Agriculture Child and Adult Food Care Programs			<u>215,798</u>
Direct Federal Support				
94.011	Americorps Seniors Foster Grandparent Program (FGP)	20-GXSTN-001	Corporation for National and Community Service	315,776
	Total Corporation for National and Community Service			<u>315,776</u>
20.507	Federal Transit Formula Grants	TN2019018 (5307)	U.S. Department of Transportation	465,565
	Total Federal ALN 20.507			<u>465,565</u>

(Continued)

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2022**

Federal Assistance Listing Number	Program Name/ Grant Number	Grant Number	Grantor Agency	Expenditures
Pass-through the State of Tennessee Department of Transportation				
20.509	Formula Grants for Rural Areas and Tribal Transit Program	Z-20-5311-04A-00-00	U.S. Department of Transportation	51,313
20.509	Formula Grants for Rural Areas and Tribal Transit Program	Z-20-5311-22-00-00	U.S. Department of Transportation	1,093,984
20.509	Formula Grants for Rural Areas and Tribal Transit Program	GG-22-75258	U.S. Department of Transportation	189,905
20.509	Formula Grants for Rural Areas and Tribal Transit Program	GG-22-75268	U.S. Department of Transportation	32,238
20.509	Formula Grants for Rural Areas and Tribal Transit Program	Z-20-5311-02	U.S. Department of Transportation	456,090
20.509	COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	Z-20-CARE-03	U.S. Department of Transportation	364,938
	Total Federal ALN 20.509			<u>2,188,468</u>
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Z-19-EMSP-02	U.S. Department of Transportation	53,710
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Z-20-EMSP-33-1-00	U.S. Department of Transportation	13,940
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Z-22-EMSP-06	U.S. Department of Transportation	90,290
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Z-22-EMSP-07	U.S. Department of Transportation	38,508
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Z-22-EMSP-43	U.S. Department of Transportation	1,145
	Total Federal ALN 20.513			<u>197,593</u>
20.526	Buses and Bus Facilities Formula, Competitive, and Low, or no Emissions Programs	Z-22-5339-04	U.S. Department of Transportation	<u>719</u>
Pass-through the Alliance for Business and Training				
17.235	Senior Community Service Employment Program		U.S. Department of Labor	137,169
Pass-through Senior Service America				
17.235	Senior Community Service Employment Program		U.S. Department of Labor	544,817
	Total Federal ALN 17.235			<u>681,986</u>
	Total Federal Assistance			<u>\$ 6,260,842</u>

See Independent Auditors' Report.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the First Tennessee Human Resource Agency (the Agency) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. 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 or changes in net position of the Agency.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable for or are limited as to reimbursement.

**NOTE 3 - INDIRECT COST RATE**

The Agency has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

See Independent Auditors' Report.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF OTHER FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2022**

<u>Grantor Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Expenditures</u>
37156	Alternative Community Correction	Tennessee Department of Corrections	\$ 615,878
N/A	Transportation	Tennessee Department of Corrections	159,343
	Total Department of Corrections		<u>775,221</u>
N/A	Discretionary	Tennessee Department of Human Services	<u>120,840</u>
Pass-through the Tennessee Commission on Aging through the First Tennessee Development District			
HRA-2021-NHTC-50	Nutrition	Tennessee Commission on Aging	231,086
	Total Tennessee Commission on Aging		<u>231,086</u>
Z-22-CRIT-01	Transportation	Tennessee Department of Transportation	73,310
Z-20-5311-04A-00	Transportation	Tennessee Department of Transportation	25,538
Z-20-5311-22-00	Transportation	Tennessee Department of Transportation	440,105
Z-19-EMSP-02	Transportation	Tennessee Department of Transportation	6,714
Z-20-EMSP-06	Transportation	Tennessee Department of Transportation	11,285
GG-22-73258	Transportation	Tennessee Department of Transportation	388,611
GG-22-75268	Transportation	Tennessee Department of Transportation	4,029
Z-22-5339-04	Transportation	Tennessee Department of Transportation	276
Z-20-5311-02	Transportation	Tennessee Department of Transportation	130,292
	Total Tennessee Department of Transportation		<u>1,080,160</u>
	Total Other Financial Assistance		<u>\$ 2,207,307</u>

See Independent Auditors' Report.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF EXPENDITURES BY PROGRAM  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022**

	Transportation	Misdemeanor Probation	Alternative Community Corrections	Nutrition	Senior Services	Foster Grandparents	Family Support	Child Care Food
<b>EXPENDITURES</b>								
Current								
Salaries and Wages	\$ 2,778,587	503,344	351,412	537,030	575,383	53,306	189,239	23,560
Fringe Benefits	847,519	151,399	116,982	133,245	60,645	8,475	43,975	4,472
Travel	3,212	4,809	13,992	23,652	788	890	1,519	2,593
Transportation - Clients	-	-	-	-	-	162	-	-
Facility Rent and Lease Payments	10,992	3,900	3,900	-	-	-	-	-
Consultants and Contracted Services	172,368	192,183	37,653	82,347	382	1,205	16,834	2,582
Communications	45,189	20,610	9,415	8,716	1,719	1,316	7,008	1,091
Utilities	23,125	22,983	10,582	22,095	559	-	1,542	338
Food Costs and Consumable Supplies	-	-	-	628,961	-	-	-	-
Maintenance and Repairs	180,154	35,394	31,788	68,218	1,788	-	4,615	721
Licenses and Insurance	140,290	6,579	6,871	18,594	3,806	2,248	3,321	1,070
Fuel and Oil	515,153	221	23	1,641	-	-	-	-
Training	15,556	5,960	4,181	4,932	369	1,395	2,904	744
Payments to Home Day Cares	-	-	-	-	-	-	-	159,488
Volunteer Stipends and Reimbursements	-	-	-	-	-	226,644	-	-
Miscellaneous	26,721	7,154	475	2,014	(23,124)	29,733	3,537	-
Capital Outlay								
Major Equipment	219,832	576	-	27,396	-	-	-	-
Indirect Costs	344,580	66,598	42,475	110,294	43,795	5,191	18,164	2,721
<b>Total Expenditures</b>	<b>\$ 5,323,278</b>	<b>1,021,710</b>	<b>629,749</b>	<b>1,669,135</b>	<b>666,110</b>	<b>330,565</b>	<b>292,658</b>	<b>199,380</b>

(Continued)

**FIRST TENNESSEE HUMAN RESOURCE AGENCY**  
**SCHEDULE OF EXPENDITURES BY PROGRAM**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

<b>EXPENDITURES</b>	<u>Adult Day Services</u>	<u>Imagination Library</u>	<u>Discretionary</u>	<u>Total</u>
Current				
Salaries and Wages	\$ 175,283	-	351,457	5,538,601
Fringe Benefits	62,800	-	53,634	1,483,146
Travel	985	-	3,379	55,819
Transportation - Clients	12,188	-	-	12,350
Facility Rent and Lease Payments	11,040	-	869	30,701
Consultants and Contracted Services	20,023	9,073	157,788	692,438
Communications	4,614	-	20,454	120,132
Utilities	-	-	11,713	92,937
Food Costs and Consumable Supplies	36,576	-	-	665,537
Maintenance and Repairs	166	-	47,567	370,411
Licenses and Insurance	3,912	-	1,474	188,165
Fuel and Oil	-	-	166	517,204
Training	962	-	5,120	42,123
Payments to Home Day Cares	-	-	-	159,488
Volunteer Stipends and Reimbursements	-	-	-	226,644
Miscellaneous	901	-	50,123	97,534
Capital Outlay				
Major Equipment	-	-	743,649	991,453
Indirect Costs	23,405	-	(657,223)	-
<b>Total Expenditures</b>	<u>\$ 352,855</u>	<u>9,073</u>	<u>790,170</u>	<u>11,284,683</u>

See Independent Auditors' Report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



**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**

To the Board of Directors of the  
First Tennessee Human Resource Agency

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 and each major fund of the First Tennessee Human Resource Agency (the Agency), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 13, 2022.

**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 have not been identified.

First Tennessee Human Resource Agency  
Independent Auditors' Report on Internal  
Control Over Financial Reporting and on Compliance  
and Other Matters

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blackburn, Childers + Steagall, P.C.*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 13, 2022

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

To the Board of Directors of the  
First Tennessee Human Resource Agency

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited First Tennessee 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, 2022. 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, 2022.

***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.

First Tennessee Human Resource Agency  
Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control over Compliance

*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.

*Blackburn, Childers + Steagall, PLLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 13, 2022

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2022**

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**FINANCIAL STATEMENT AUDIT FINDINGS**

No prior year findings reported.

**FEDERAL AWARD PROGRAMS AUDIT FINDINGS**

No prior year findings reported.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2022**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the governmental activities and each major fund of the First Tennessee Human Resource Agency (the Agency).
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Agency were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Agency were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for major federal award programs for the Agency expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.
7. The programs tested as major program included the following:
  - Transportation: Federal Assistance Listing Numbers: 20.507
  - Aging Cluster: Federal Assistance Listing Numbers: 93.045 and 93.053
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Agency was determined to be a low-risk auditee.

**FIRST TENNESSEE HUMAN RESOURCE AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2022**

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**SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS**

**Current Year Audit Findings**

None Reported.

**SECTION III - FEDERAL AWARD PROGRAMS AUDIT FINDINGS**

**Current Year Audit Findings**

None Reported.