

**NORTHWEST TENNESSEE
HUMAN RESOURCE AGENCY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2017

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INTRODUCTORY SECTION

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
BOARD OFFICERS
June 30, 2017

Gary Reasons, Chairman
Tom Witherspoon, Vice-chairman
Barry Barnett, Secretary/Treasurer

FINANCIAL SECTION



Independent Auditor's Report

Executive Director and Board of Directors
Northwest Tennessee Human Resource Agency
Martin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northwest Tennessee Human Resource Agency, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Tennessee Human Resource Agency as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, major fund schedules of revenues, expenditures and changes in fund balance, combining and individual nonmajor fund financial statements and schedules, 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*, schedule of local contributions and schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major fund schedules of revenues, expenditures and changes in fund balance, combining and individual nonmajor fund financial statements and schedules, schedule of expenditures of federal awards, schedule of local contributions and schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 major fund schedules of revenues, expenditures and changes in fund balance, combining and individual nonmajor fund financial statements and schedules, schedule of expenditures of federal awards, schedule of local contributions and schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Northwest Tennessee Human Resource 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.

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Northwest Tennessee Human Resource Agency, we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the Northwest Tennessee Human Resource Agency exceeded its liabilities at the close of the most recent fiscal year by \$2.9 million (net position).
- Total net position increased by \$796 thousand during the year ended June 30, 2017. This was mainly attributable to the addition of capital assets at the government-wide level, which exceeded depreciation for the year by \$679 thousand.
- As of the close of the current fiscal year, the Northwest Tennessee Human Resource Agency's general fund reported an ending fund balance of \$1.22 million, an increase of \$98 thousand in comparison with the prior year. Of the total fund balance, the entire amount was available for spending at the Northwest Tennessee Human Resource Agency's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Northwest Tennessee Human Resource Agency's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.
- The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., receivables, compensated absences, etc.).

The governmental activities of the Agency include general and administrative activities, in addition to the activities supported by individual grants, such as transportation, nutrition, etc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency consists only of governmental funds, and has no activities accounted for in a proprietary-type fund.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances - Government Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains numerous governmental funds for its individual grant programs. Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds for the General Fund, Transportation Fund, and HRA Waiver Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation for these statements and is also presented separately in a Combining Balance Sheet – Nonmajor Governmental Funds and a Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.

Notes to the Financial Statements

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

Supplementary Information

The Agency approves annual budgets for its General Fund and individual grant funds to be used as a management tool for comparing current activity against anticipated revenues and expenditures. Budget to actual statements are presented as supplementary information for all of the Agency's funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position – As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Northwest Tennessee Human Resource Agency, assets exceeded liabilities by \$2,872,632 at the close of the most recent fiscal year. A large portion of the Agency's net position (59.6%) reflects its investment in capital assets (e.g., land, buildings,

MANAGEMENT'S DISCUSSION AND ANALYSIS

machinery, equipment and vehicles). The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Condensed Statement of Net Position

	Governmental Activities		Increase (Decrease)	
	2017	2016	Amount	Percent
Current and other assets	\$ 3,553,099	\$ 4,084,624	\$ -531,525	-13.01%
Capital assets	<u>1,713,221</u>	<u>1,045,631</u>	<u>667,590</u>	63.85%
Total assets	5,266,320	5,130,255	136,065	2.65%
Current liabilities	2,332,857	2,962,080	-629,223	-21.24%
Long-term liabilities	<u>60,831</u>	<u>91,225</u>	<u>-30,394</u>	-33.32%
Total liabilities	2,393,688	3,053,305	-659,617	-21.60%
Net position				
Investment in capital assets	1,713,221	1,045,630	667,591	63.85%
Unrestricted	<u>1,159,411</u>	<u>1,031,320</u>	<u>128,091</u>	12.42%
Total net position	<u>\$ 2,872,632</u>	<u>\$ 2,076,950</u>	<u>\$ 795,682</u>	38.31%

At the end of the current fiscal year, the Agency as a whole is able to report positive balances in all categories of net position. Net position increased by \$796 thousand from the prior year. This increase was mainly attributable to increased grant funding to purchase capital assets (vans).

Of total net position, unrestricted net position (40.4%) may be used to meet the Agency's ongoing obligations to citizens and creditors. The remaining balance of net position is attributable to the Agency's investment in its capital assets.

Statement of Activities – As noted earlier, the statement of activities is designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As such, instead of the \$98 thousand increase in fund balance at the fund level, there is a \$796 thousand increase reported in the statement of activities. This difference is due mainly to the activity related to the Agency's capital assets. Capital outlay of \$1.2 million at the fund level was replaced by \$484 thousand in depreciation expense at the government-wide level, a reduction of \$679 thousand in expense. Costs relative to compensated absences and the disposal of capital assets accounted for the remaining \$19 thousand decrease in expenses reported at the government-wide level.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following statement of activities summarizes the revenues and expenses of the Agency and compares them to the prior year's activities.

Condensed Statement of Activities

	Governmental Activities		Increase (Decrease)	
	2017	2016	Amount	Percent
Revenue				
Program Revenues				
Charges for services	\$ 3,094,196	\$ 2,852,619	\$ 241,577	8.47%
Operating grants and contributions	5,156,792	5,220,142	-63,350	-1.21%
Capital grants & contributions	462,962	221,486	241,476	109.03%
General revenues				
Gain on sale of assets	76,581	29,448	47,133	160.06%
Interest	<u>8,922</u>	<u>9,827</u>	<u>-905</u>	-9.21%
Total revenues	<u>8,799,453</u>	<u>8,333,522</u>	<u>465,931</u>	5.59%
Expenses				
General Fund	70,539	80,374	-9,835	-12.24%
Transportation	5,322,211	5,176,682	145,529	2.81%
Nutrition	764,863	809,509	-44,646	-5.52%
SSBG Homemaker	207,049	200,511	6,538	3.26%
Title III Homemaker	14,708	16,922	-2,214	-13.08%
HCBS Nutrition	110,858	109,523	1,335	1.22%
Ombudsman/Homemaker	86,176	86,612	-436	-0.50%
Senior Aides	373,344	417,431	-44,087	-10.56%
Emergency Food and Shelter	15,871	9,105	6,766	74.31%
HRA Waiver	849,294	853,714	-4,420	-0.52%
Nutrition Medicaid Waiver	81,280	88,642	-7,362	-8.31%
HCBS Homemaker	<u>107,578</u>	<u>107,519</u>	<u>59</u>	0.05%
Total expenses	<u>8,003,771</u>	<u>7,956,544</u>	<u>47,227</u>	0.59%
Change in net position	795,682	376,978	418,704	111.07
Net position - beginning	<u>2,076,950</u>	<u>1,699,972</u>	<u>376,978</u>	22.18%
Net position - ending	<u>\$ 2,872,632</u>	<u>\$ 2,076,950</u>	<u>\$ 795,682</u>	38.31%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in revenue was mainly attributable to increases in both federal grants and contract revenue in the Transportation Fund. These increases were caused by additional capital grant funding for the purchase of vans and an increase in contract revenue from Amerigroup, United HealthCare, and other MCOs. The Agency had a \$77 thousand gain on the sale of capital assets, compared to a \$29 thousand gain during the prior year.

Overall, expenses remained steady with only a half percent increase. The largest percentage increase was in the Emergency Food and Shelter program, directly attributable to increased funding of the same amount.

FUND FINANCIAL STATEMENTS ANALYSIS

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2017, the General Fund had unassigned fund balance of \$1.22 million, an increase of \$98 thousand from the prior year.

Total revenue in governmental funds increased by \$466 thousand from the previous year. Transportation had increases in all categories of revenue: federal revenue – \$224 thousand, state revenue – \$22 thousand, local revenue – \$236 thousand, and proceeds from sales of vans – \$36 thousand. The General Fund had a \$15 thousand increase in its state direct appropriation. HRA Waiver had a decrease in local revenue of \$5 thousand. Total revenue in non-major governmental funds decreased by \$70 thousand, with only SSBG Homemaker and Emergency Food and Shelter programs receiving increased revenue.

Budgetary highlights – Actual revenues for the Transportation Fund were \$1.1 million more than budgeted, with the majority received in state revenues. Expenditures were also over budget by a corresponding amount. The largest variances in expenditures over budget were in salaries, fringe benefits, and equipment, while fuel and oil costs were \$84 thousand under budget. There were also \$100 thousand in budgeted expenditures for ITS/routematch that were not spent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – As of June 30, 2017, the Agency has invested approximately \$1.7 million (net of accumulated depreciation) in a variety of capital assets, mostly vehicles and equipment used in the Transportation Fund. During the current year, there were capital assets additions of \$1.2 million due to an increase in capital purchases (van) money from the grantor. Depreciation on capital assets was \$484 thousand and was reported in the statement of activities. Additional details on the Agency's capital assets can be found in the Notes to Financial Statements of this report.

Long-term debt – The Northwest Tennessee Human Resource Agency had no long-term debt as of June 30, 2017, other than a liability for compensated absences.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy in Northwest Tennessee has improved some and unemployment is down from one year ago. Hopefully, this will continue in the coming months.

Federal pass-thru funding is somewhat of an uncertainty as partisan bickering continues in Washington. Social programs, though only a small part of the budget, are annually reviewed for potential cuts. Dramatic cuts are not expected.

A Tennessee trend of privatization of services may affect various social programs in the future but seemingly not in the short term.

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$3,001,524
Accounts receivable	288,674
Prepaid grant match	105,017
Due from grantor	<u>157,884</u>
Total current assets	3,553,099
Noncurrent assets	
Capital assets (net of accumulated depreciation):	
Vehicles and equipment	<u>1,713,221</u>
Total assets	5,266,320
LIABILITIES	
Current liabilities	
Accounts payable	127,886
Payroll liabilities	56,789
Due to Development District	49,335
Unearned revenue - federal	9,657
Unearned revenue - state	63,266
Unearned revenue - local	<u>2,025,924</u>
Total current liabilities	2,332,857
Noncurrent liabilities	
Accrued annual leave	<u>60,831</u>
Total liabilities	<u>2,393,688</u>
NET POSITION	
Investment in capital assets	1,713,221
Unrestricted	<u>1,159,411</u>
Total net position	<u>\$2,872,632</u>

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

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
General Fund	\$ 70,539	\$ 38,623	\$ 120,840	\$ -	\$ 88,924	\$ 88,924
Transportation	5,322,211	3,031,595	2,436,809	462,962	609,155	609,155
SSBG Homemaker	207,049	-	207,049	-	-	-
Title III Homemaker	14,708	-	14,052	-	(656)	(656)
HCBS Nutrition	110,858	-	110,858	-	-	-
Ombudsman/Homemaker	86,176	-	91,964	-	5,788	5,788
Senior Aides	373,344	-	374,063	-	719	719
Nutrition	764,863	23,978	747,843	-	6,958	6,958
Emergency Food and Shelter	15,871	-	15,871	-	-	-
HRA Waiver	849,294	-	848,585	-	(709)	(709)
Nutrition Medicaid Waiver	81,280	-	81,280	-	-	-
HCBS Homemaker	107,578	-	107,578	-	-	-
Total governmental activities	<u>\$ 8,003,771</u>	<u>\$ 3,094,196</u>	<u>\$ 5,156,792</u>	<u>\$ 462,962</u>	710,179	710,179
General revenues:						
					76,581	76,581
					8,922	8,922
					<u>85,503</u>	<u>85,503</u>
					795,682	795,682
					<u>2,076,950</u>	<u>2,076,950</u>
					<u>\$ 2,872,632</u>	<u>\$ 2,872,632</u>

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

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Transportation	HRA Waiver	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 2,975,423	\$ 912	\$ -	\$ 25,189	\$ 3,001,524
Accounts receivable	221	184,620	96,690	7,143	288,674
Prepaid grant match	-	105,017	-	-	105,017
Due from general fund	-	1,048,954	710,436	232,006	1,991,396
Due from other funds	413,057	-	-	-	413,057
Due from grantors	-	25,710	-	132,174	157,884
	<u>\$3,388,701</u>	<u>\$ 1,365,213</u>	<u>\$ 807,126</u>	<u>\$ 396,512</u>	<u>\$ 5,957,552</u>
LIABILITIES AND FUND BALANCE					
Accounts payable	\$ 124,595	\$ -	\$ -	\$ 3,291	\$ 127,886
Payroll liabilities	3,133	28,485	(1,901)	27,072	56,789
Due to general fund	-	92,617	30,300	290,140	413,057
Due to other funds	1,991,396	-	-	-	1,991,396
Due to Development District	49,335	-	-	-	49,335
Unearned revenue - federal	-	-	-	9,657	9,657
Unearned revenue - state	-	-	-	63,266	63,266
Unearned revenue - local	-	1,244,111	778,727	3,086	2,025,924
Total liabilities	<u>2,168,459</u>	<u>1,365,213</u>	<u>807,126</u>	<u>396,512</u>	<u>4,737,310</u>
Fund balance					
Unassigned	<u>1,220,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,220,242</u>
	<u>\$3,388,701</u>	<u>\$ 1,365,213</u>	<u>\$ 807,126</u>	<u>\$ 396,512</u>	<u>\$ 5,957,552</u>

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

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2017

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

Total fund balance of governmental funds	\$ 1,220,242
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	3,622,691	
Accumulated depreciation	<u>(1,909,470)</u>	
Net capital assets		1,713,221

Noncurrent liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(60,831)</u>
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Net position of governmental activities	<u>\$ 2,872,632</u>
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The accompanying notes are an integral part of these financial statements.

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Transportation</u>	<u>HRA Waiver</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Federal	\$ -	\$ 2,062,551	\$ -	\$ 1,183,392	\$ 3,245,943
State	-	837,220	-	239,032	1,076,252
State direct appropriation	120,840	-	-	-	120,840
Local	38,623	3,031,595	848,585	352,112	4,270,915
Sale of assets	-	88,225	-	-	88,225
Interest	8,773	-	-	149	8,922
Total revenues	<u>168,236</u>	<u>6,019,591</u>	<u>848,585</u>	<u>1,774,685</u>	<u>8,811,097</u>
Expenditures					
Salaries	-	2,793,271	643,062	745,933	4,182,266
Administrative	-	-	964	67,057	68,021
Fringe benefits	-	680,295	83,255	125,072	888,622
Travel	-	16,099	10,241	48,452	74,792
Workers' compensation	-	-	-	7,546	7,546
Meal delivery	-	-	-	4,699	4,699
Communications	-	134,297	4,893	22,955	162,145
Computer expense	-	-	-	1,136	1,136
Maintenance	-	76,769	-	-	76,769
Supplies	1,130	58,316	3,071	9,084	71,601
Contractual services	-	-	-	90,994	90,994
Postage	-	2,446	311	1,509	4,266
Copying and printing	-	55	1,345	2,067	3,467
Indirect costs	-	293,471	68,213	49,499	411,183
Equipment	-	1,174,705	-	-	1,174,705
Rent	-	47,142	4,730	18,332	70,204
Audit	7,517	13,580	-	3,153	24,250
Drug screening and physicals	-	12,353	-	-	12,353
Miscellaneous	-	66,676	1,542	8,540	76,758
Legal services	59	29,116	-	-	29,175
Fuel and oil	-	425,073	-	-	425,073
Training	-	7,422	696	225	8,343
Insurance	9,591	127,211	4,842	7,939	149,583
Program costs	-	-	-	15,871	15,871
Subcontracts	-	-	-	519,393	519,393
Ensure	-	-	-	15,343	15,343
Matching	34,690	-	19,670	-	54,360
Expense site operation	-	-	-	7,444	7,444
Utilities	-	16,075	-	-	16,075
Membership dues/conferences	17,552	11,780	1,750	2,442	33,524
Marketing	-	33,439	-	-	33,439
Total expenditures	<u>70,539</u>	<u>6,019,591</u>	<u>848,585</u>	<u>1,774,685</u>	<u>8,713,400</u>
Net change in fund balance	97,697	-	-	-	97,697
Fund balance - July 1, 2016	1,122,545	-	-	-	1,122,545
Fund balance - June 30, 2017	<u>\$ 1,220,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,220,242</u>

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

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

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

Net change in fund balances of governmental funds \$ 97,697

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

	Capital outlay	1,163,580	
	Depreciation	<u>(484,345)</u>	
	Net effect		679,235

Expenses related to compensated absences are reported in the statement of activities but do not require the use of current financial resources. Therefore, they are not reported as expenditures in the governmental funds. 30,394

The statement of activities reports gains from the auction of existing capital assets, while governmental funds report proceeds from the disposal of capital assets as revenue. This amount is the net book value of capital assets sold during the year. (11,644)

Change in net position of governmental activities \$ 795,682

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

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Tennessee Human Resource Agency is a multi-funded, quasi-governmental agency created in accordance with Chapter 289 of the Public Acts of 1973, known as the "Human Resource Agency Act" (currently TCA Title 13, Chapter 26). It is governed by a board of directors composed of county mayors, municipal mayors, members of the state legislature and other representatives from the Agency's nine-county region. The primary function of the Human Resource Agency (HRA or Agency) is to administer human resource programs. These programs are funded for the most part through federal grants, with matching assistance from the local and state levels.

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

A. Reporting Entity

The Agency's basic financial statements include the accounts of all Agency operations. The criteria for including organizations as component units within the Agency's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Agency holds the corporate powers of the organization
- the Agency appoints a voting majority of the organization's board
- the Agency is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Agency
- there is fiscal dependency by the organization on the Agency

Based on the aforementioned criteria, the Agency has no component units.

B. 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 non-fiduciary activities of the Agency. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. Other items not properly included among program revenues are reported as general revenues.

The Agency is comprised of only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2017

C. 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.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In general, federal and state grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major governmental funds:

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

The Transportation fund accounts for transactions of the Agency's public transportation program. The major sources of funding are federal and state grants and contract revenue.

The HRA Waiver fund accounts for the transactions of the Agency's Waiver Program for the elderly. The major source of funding is state grants.

D. Assets and Liabilities

Deposits and Investments

The Agency's cash and cash equivalents consist of unrestricted demand deposit accounts, working funds and highly liquid investments with an original maturity of three months or less. State statutes authorize the Agency to invest in interest-bearing accounts.

Receivables and Payables

On October 12, 1989, the Tennessee Department of Human Services, the Northwest Tennessee Human Resource Agency's cognizant agency, approved the cost allocation plan for administration costs incurred by the Agency. This plan allocated administrative costs on the basis of three cost pools - executive, accounting and building.

Allocation of Executive Pool - The costs associated with the executive staff will be the salary and fringe benefits, travel, telephone costs, office supplies, space costs and meeting costs of the executive director and receptionist. The share of executive costs to each program are allocated among the Agency's programs based on direct program salaries to total direct Agency salaries:

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

$$\frac{\text{Direct Program Salaries}}{\text{Total Direct Agency Salaries}} = \text{Program \% of District Executive Pool Costs}$$

Allocation of accounting support pool - Accounting support costs include the salaries and fringe benefits of the financial officer and the assistant office manager. The space costs, telephone, office supplies and any other costs associated with the accounting support staff are also included. The accounting support pool will be allocated to the Development District and the Human Resource Agency programs based on each program's direct salaries to total Development District plus Human Resource Agency direct salaries.

Allocation of building costs - Building costs are allocated to each program according to the square footage of office space used by each program and the administrative pools above. The basis for allocation is total square feet in Development District and Human Resource Agency less any common space such as restrooms, hallways, conference room, and break rooms. Building costs include a) salaries and fringes for the maintenance man, b) utility bills, c) maintenance supplies, d) travel for maintenance man, and e) miscellaneous building costs.

Capital Assets

Capital assets, including property, vehicles and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 for equipment and \$10,000 for land improvements and buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of asset normal maintenance and repairs that do not add to the value or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Agency are depreciated using the straight line method. Capital assets are depreciated over the following useful lives:

Buildings	20 – 50 years
Improvements other than buildings	2 – 30 years
Vehicles and equipment	5 – 20 years
Furniture and fixtures	10 – 20 years

Compensated Absences

Sick leave credits can only be applied when an employee is ill; there is no cash payment for unused, accrued sick leave credits upon termination of employment. Employees earn one day of annual leave per month for up to five years of employment; one and one-half days per month for five to ten years of service; one and three-fourths days per month for ten to twenty years of service; and two days per month for over twenty years of service. Annual leave can be carried forward indefinitely, and unused balances will be paid to employees upon termination. The maximum number of days that can be accrued for annual leave is forty-two. The liability for accrued annual leave is recorded as a long-term liability. Accrued annual leave is charged to the program that pays the employee's regular salary.

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

- Restricted – amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- Unassigned – all amounts in the general fund not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Agency's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Agency's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

NOTE 2 – BUDGETARY INFORMATION

The Agency's Special Revenue Fund budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not exceed appropriations by the Board of Directors. Management may make revisions within categories of expenditures. The Agency's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP).

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Invested Funds

Custodial Credit Risk - The Agency's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Agency's agent in the Agency's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Agency to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2017, all bank deposits were fully collateralized or insured.

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

B. Interfund Receivables and Payables

At June 30, 2017, the Agency's interfund balances consisted of the following:

Due To	Due From												Totals
	General Fund	Transportation	Nutrition	SSBG Homemaker	HCBS Nutrition	Ombudsman Homemaker	Title III Homemaker	Emergency Food and Shelter	HRA Waiver	Senior Aides	Nutrition Medicaid Waiver	HCBS Homemaker	
General Fund	\$ -	\$ 92,617	\$ 181,309	\$ 40,157	\$ 8,561	\$ 28,397	\$ 250	\$ 15,871	\$ 30,300	\$ 10,000	\$ 3,946	\$ 1,649	\$ 413,057
Transportation	1,048,954	-	-	-	-	-	-	-	-	-	-	-	1,048,954
Nutrition	122,654	-	-	-	-	-	-	-	-	-	-	-	122,654
SSBG Homemaker	9,878	-	-	-	-	-	-	-	-	-	-	-	9,878
HCBS Nutrition	10,638	-	-	-	-	-	-	-	-	-	-	-	10,638
Ombudsman/Homemaker	22,965	-	-	-	-	-	-	-	-	-	-	-	22,965
Emergency Food/Shelter	271	-	-	-	-	-	-	-	-	-	-	-	271
HRA Waiver	710,436	-	-	-	-	-	-	-	-	-	-	-	710,436
Nutrition Medicaid Waiver	13,126	-	-	-	-	-	-	-	-	-	-	-	13,126
HCBS Homemaker	52,474	-	-	-	-	-	-	-	-	-	-	-	52,474
Totals	\$1,991,396	\$ 92,617	\$181,309	\$ 40,157	\$ 8,561	\$ 28,397	\$ 250	\$ 15,871	\$30,300	\$10,000	\$ 3,946	\$ 1,649	\$2,404,453

The interfund balances are mainly due to the fact that the funds share one bank account and each fund's share of the cash balance is recorded as due to/due from the General Fund. Balances are also incurred due to the payment of rent and indirect expenses to the General Fund each month for the prior month's expenses. The General Fund also pays the matching portion on some programs, which are recorded through the due to/due from accounts.

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

C. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated				
Vehicles and equipment	\$ 3,304,803	\$ 1,163,580	\$ (845,692)	\$ 3,622,691
Less accumulated depreciation for:				
Vehicles and equipment	<u>2,259,173</u>	<u>484,345</u>	<u>(834,048)</u>	<u>1,909,470</u>
Total capital assets, being depreciated, net	<u>\$ 1,045,630</u>	<u>\$ 679,235</u>	<u>\$ (11,644)</u>	<u>\$ 1,713,221</u>

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

Governmental activities:	
Transportation	<u>\$ 484,345</u>

D. Long-term Liabilities

Long-term liabilities of the Agency consist of accruals for compensated absences. The liability for compensated absences in governmental activities is primarily liquidated by the Transportation Fund. Activity for the year was as follows:

Beginning balance	\$ 91,225
Decrease to adjust to current year balance	<u>30,394</u>
Ending balance	<u>\$ 60,831</u>

NOTE 4 – OTHER INFORMATION

A. Risk Management

The Human Resource Agency is exposed to various risks related to general liability and property and casualty losses. The Agency joined The Tennessee Municipal League Risk Management Pool which is a public entity risk pool. The Agency pays an annual premium to the TML Pool for its general and personal liability, property, casualty and errors and omissions insurance coverage. The creation of the TML Pool provides that it shall be financed from the contributions, premiums or assessments paid by the political subdivisions participating herein to the TML Pool. The TML Pool may participate in the Local Government Reinsurance Fund of Tennessee and in NLC Mutual Insurance Company, as the Board of Directors may elect.

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

The Agency continues to carry commercial insurance for all other risks of loss, including workers compensation, employee health and accident. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Retirement Plans

The Agency participates in a money purchase retirement plan entitled Northwest Tennessee Development District Employee Pension Plan administered by The Principal Group. It is a defined contribution retirement plan which provides retirement benefits for all full-time permanent employees. Forfeitures shall be determined at least once each plan year and are allocated to active participants as of the last day of the plan year in which such forfeitures are determined. The Board of Directors has the authority to make any changes to the rate of contribution. The Agency contributed \$88,521 for the fiscal year ended June 30, 2017, equal to ten percent (10%) of the permanent full-time employees' gross salaries of \$885,206. No employee contributions were made. There were forfeitures of \$6,937 during the year ended June 30, 2017. Employees become twenty percent (20%) vested after two full years of employment. An additional twenty percent (20%) is vested for each additional full year of employment. An employee becomes fully vested after six years of employment. It is estimated that the Agency's contribution to the retirement plan will be \$91,176 for the fiscal year ending June 30, 2018. The plan also provides life insurance coverage at \$75,000 per employee.

SUPPLEMENTARY INFORMATION

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
State direct appropriation	\$ 105,840	\$ 105,840	\$ 120,840	\$ 15,000
Local	40,382	40,382	38,623	(1,759)
Interest income	-	-	8,773	8,773
Total revenues	<u>146,222</u>	<u>146,222</u>	<u>168,236</u>	<u>22,014</u>
Expenditures				
Matching	146,222	146,222	34,690	(111,532)
Audit	-	-	7,517	7,517
Supplies	-	-	1,130	1,130
Legal services	-	-	59	59
Insurance	-	-	9,591	9,591
Membership dues and conferences	-	-	17,552	17,552
Total expenditures	<u>146,222</u>	<u>146,222</u>	<u>70,539</u>	<u>(75,683)</u>
Net change in fund balance	-	-	97,697	97,697
Fund balance - July 1, 2016	<u>1,122,545</u>	<u>1,122,545</u>	<u>1,122,545</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$1,122,545</u>	<u>\$1,122,545</u>	<u>\$1,220,242</u>	<u>\$ 97,697</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
Federal	\$2,374,036	\$2,374,036	\$2,062,551	\$ (311,485)
State	-	-	837,220	837,220
Local	2,550,000	2,550,000	3,031,595	481,595
Sale of assets	-	-	88,225	88,225
Total revenues	<u>4,924,036</u>	<u>4,924,036</u>	<u>6,019,591</u>	<u>1,095,555</u>
Expenditures				
Salaries	2,460,605	2,460,605	2,793,271	332,666
Fringe benefits	525,750	525,750	680,295	154,545
Travel	14,500	14,500	16,099	1,599
Communications	144,499	144,499	134,297	(10,202)
Maintenance	96,000	96,000	76,769	(19,231)
Supplies	44,000	44,000	58,316	14,316
Postage	5,000	5,000	2,446	(2,554)
Copying and printing	-	-	55	55
Indirect costs	231,000	231,000	293,471	62,471
Equipment	433,247	433,247	1,174,705	741,458
Rent	71,480	71,480	47,142	(24,338)
Audit	13,160	13,160	13,580	420
Drug screening and physicals	11,400	11,400	12,353	953
Miscellaneous	86,000	86,000	66,676	(19,324)
Legal services	12,400	12,400	29,116	16,716
Fuel and oil	509,250	509,250	425,073	(84,177)
Training	7,500	7,500	7,422	(78)
Insurance	158,245	158,245	127,211	(31,034)
Utilities	-	-	16,075	16,075
Dues and conferences	-	-	11,780	11,780
Marketing	-	-	33,439	33,439
ITS project	100,000	100,000	-	(100,000)
Total expenditures	<u>4,924,036</u>	<u>4,924,036</u>	<u>6,019,591</u>	<u>1,095,555</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	-	-	-	-
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
HRA WAIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
Local revenue - insurance reimbursements	\$ 740,020	\$ 740,020	\$ 848,585	\$ 108,565
Expenditures				
Salaries	540,000	540,000	643,062	103,062
Administrative	-	-	964	964
Fringe benefits	89,770	89,770	83,255	(6,515)
Travel	12,000	12,000	10,241	(1,759)
Communications	5,100	5,100	4,893	(207)
Supplies	5,500	5,500	3,071	(2,429)
Postage	350	350	311	(39)
Copying and printing	-	-	1,345	1,345
Indirect costs	75,000	75,000	68,213	(6,787)
Rent	3,800	3,800	4,730	930
Miscellaneous	1,500	1,500	1,542	42
Training	-	-	696	696
Insurance	7,000	7,000	4,842	(2,158)
Matching	-	-	19,670	19,670
Membership dues and conferences	-	-	1,750	1,750
Total expenditures	<u>740,020</u>	<u>740,020</u>	<u>848,585</u>	<u>108,565</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

ASSETS	SSBG Homemaker	Title III Homemaker	HCBS Nutrition	Ombudsman Homemaker	Senior Aides	Nutrition	Emergency Food and Shelter	Nutrition Medicaid Waiver	HCBS Homemaker	Totals
Current assets										
Cash	\$ -	\$ -	\$ -	\$ -	\$ 15,844	\$ 9,345	\$ -	\$ -	\$ -	\$ 25,189
Accounts receivable	-	-	-	-	664	220	-	6,259	-	7,143
Due from general fund	-	9,878	10,638	22,965	-	122,654	271	13,126	52,474	232,006
Due from grantor	36,993	1,395	14,206	5,650	131	47,762	16,946	-	9,091	132,174
Total assets	\$ 36,993	\$ 11,273	\$ 24,844	\$ 28,615	\$ 16,639	\$ 179,981	\$ 17,217	\$ 19,385	\$ 61,565	\$ 396,512
LIABILITIES AND FUND BALANCE										
Current liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,291	\$ -	\$ -	\$ -	\$ -	\$ 3,291
Payroll liabilities	(3,164)	20	16,283	218	262	(1,328)	271	15,439	(929)	27,072
Due to general fund	40,157	250	8,561	28,397	10,000	181,309	15,871	3,946	1,649	290,140
Unearned revenue-federal	-	8,582	-	-	-	-	1,075	-	-	9,657
Unearned revenue-state	-	2,421	-	-	-	-	-	-	60,845	63,266
Unearned revenue-local	-	-	-	-	3,086	-	-	-	-	3,086
Total current liabilities	36,993	11,273	24,844	28,615	16,639	179,981	17,217	19,385	61,565	396,512
Fund balance										
Restricted	-	-	-	-	-	-	-	-	-	-
Total liabilities and fund balance	\$ 36,993	\$ 11,273	\$ 24,844	\$ 28,615	\$ 16,639	\$ 179,981	\$ 17,217	\$ 19,385	\$ 61,565	\$ 396,512

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NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>SSBG Homemaker</u>	<u>Title III Homemaker</u>	<u>HCBS Nutrition</u>	<u>Ombudsman Homemaker</u>	<u>Senior Aides</u>	<u>Nutrition</u>	<u>Emergency Food and Shelter</u>	<u>Nutrition Medicaid Waiver</u>	<u>HCBS Homemaker</u>	<u>Totals</u>
Revenues										
Federal	\$ 187,379	\$ 10,993	\$ -	\$ 67,800	\$ 353,057	\$ 534,666	\$ 15,871	\$ -	\$ 13,626	\$ 1,183,392
State	-	3,059	110,858	-	-	31,163	-	-	93,952	239,032
Local	19,670	-	-	24,164	21,006	205,992	-	81,280	-	352,112
Interest	-	-	-	-	149	-	-	-	-	149
Total revenues	<u>207,049</u>	<u>14,052</u>	<u>110,858</u>	<u>91,964</u>	<u>374,212</u>	<u>771,821</u>	<u>15,871</u>	<u>81,280</u>	<u>107,578</u>	<u>1,774,685</u>
Expenditures										
Salaries	131,285	8,616	25,446	47,142	275,242	160,003	-	16,230	81,969	745,933
Administrative	-	-	-	-	67,057	-	-	-	-	67,057
Fringe benefits	22,214	997	1,921	17,231	21,052	53,419	-	1,225	7,013	125,072
Travel	30,126	444	116	7,500	1,438	5,735	-	-	3,093	48,452
Workers' compensation	-	-	-	-	7,546	-	-	-	-	7,546
Meal delivery	-	-	-	-	-	4,699	-	-	-	4,699
Communications	3,508	727	-	2,079	-	13,799	-	-	2,842	22,955
Computer expense	-	-	-	1,136	-	-	-	-	-	1,136
Supplies	1,328	1,239	-	2,506	-	2,427	-	-	1,584	9,084
Contractual services	-	-	1,600	-	-	89,394	-	-	-	90,994
Postage	311	311	-	-	-	576	-	-	311	1,509
Copying and printing	365	430	-	358	-	484	-	-	430	2,067
Indirect costs	13,938	936	2,508	4,761	-	17,057	-	1,607	8,692	49,499
Rent	2,621	-	-	6,307	-	9,404	-	-	-	18,332
Audit	-	-	-	-	-	3,153	-	-	-	3,153
Miscellaneous	235	202	-	455	-	7,445	-	-	203	8,540
Training	75	75	-	-	-	-	-	-	75	225
Insurance	968	-	-	898	1,877	2,905	-	-	1,291	7,939
Program costs	-	-	-	-	-	-	15,871	-	-	15,871
Subcontracts	-	-	78,467	-	-	380,308	-	60,618	-	519,393
Ensure	-	-	-	-	-	15,343	-	-	-	15,343
Expense site operation	-	-	800	-	-	5,044	-	1,600	-	7,444
Membership dues and conferences	75	75	-	1,591	-	626	-	-	75	2,442
Total expenditures	<u>207,049</u>	<u>14,052</u>	<u>110,858</u>	<u>91,964</u>	<u>374,212</u>	<u>771,821</u>	<u>15,871</u>	<u>81,280</u>	<u>107,578</u>	<u>1,774,685</u>
Net change in fund balance	-	-	-	-	-	-	-	-	-	-
Fund balance - July 1, 2016	-	-	-	-	-	-	-	-	-	-
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SSBG HOMEMAKER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Federal	\$193,091	\$193,091	\$187,379	\$ (5,712)
Local	48,273	48,273	19,670	(28,603)
Total revenues	<u>241,364</u>	<u>241,364</u>	<u>207,049</u>	<u>(34,315)</u>
Expenditures				
Salaries	146,222	146,222	131,285	(14,937)
Fringe benefits	23,565	23,565	22,214	(1,351)
Travel	40,236	40,236	30,126	(10,110)
Communications	2,556	2,556	3,508	952
Supplies	1,111	1,111	1,328	217
Contractual services	3,334	3,334	-	(3,334)
Postage	333	333	311	(22)
Copying and printing	-	-	365	365
Indirect costs	20,533	20,533	13,938	(6,595)
Rent	3,224	3,224	2,621	(603)
Membership dues and conferences	-	-	75	75
Miscellaneous	250	250	235	(15)
Training	-	-	75	75
Insurance	-	-	968	968
Total expenditures	<u>241,364</u>	<u>241,364</u>	<u>207,049</u>	<u>(34,315)</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	-	-	-	-
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
TITLE III HOMEMAKER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
Federal	\$ 16,086	\$ 16,086	\$ 10,993	\$ (5,093)
State	-	-	3,059	3,059
Total revenues	<u>16,086</u>	<u>16,086</u>	<u>14,052</u>	<u>(2,034)</u>
Expenditures				
Salaries	10,623	10,623	8,616	(2,007)
Fringe benefits	1,163	1,163	997	(166)
Travel	600	600	444	(156)
Communications	750	750	727	(23)
Supplies	850	850	1,239	389
Training	-	-	75	75
Postage	250	250	311	61
Copying and printing	-	-	430	430
Indirect costs	1,500	1,500	936	(564)
Membership dues and conferences	-	-	75	75
Miscellaneous	<u>350</u>	<u>350</u>	<u>202</u>	<u>(148)</u>
Total expenditures	<u>16,086</u>	<u>16,086</u>	<u>14,052</u>	<u>(2,034)</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
 HCBS NUTRITION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET TO ACTUAL
 For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
State	\$ 98,794	\$ 98,794	\$110,858	\$ 12,064
Local	22,900	22,900	-	(22,900)
Total revenues	<u>121,694</u>	<u>121,694</u>	<u>110,858</u>	<u>(10,836)</u>
Expenditures				
Salaries	29,574	29,574	25,446	(4,128)
Fringe benefits	2,214	2,214	1,921	(293)
Travel	-	-	116	116
Meal delivery	10,813	10,813	-	(10,813)
Contractual services	6,300	6,300	1,600	(4,700)
Indirect costs	3,493	3,493	2,508	(985)
Subcontracts	69,300	69,300	78,467	9,167
Expense site operation	-	-	800	800
Total expenditures	<u>121,694</u>	<u>121,694</u>	<u>110,858</u>	<u>(10,836)</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	-	-	-	-
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
 OMBUDSMAN/HOMEMAKER
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
Federal	\$ 67,800	\$ 67,800	\$ 67,800	\$ -
Local	33,122	33,122	24,164	(8,958)
In-kind revenue	6,400	6,400	-	(6,400)
Total revenues	<u>107,322</u>	<u>107,322</u>	<u>91,964</u>	<u>(15,358)</u>
Expenditures				
Salaries	53,448	53,448	47,142	(6,306)
Fringe benefits	25,174	25,174	17,231	(7,943)
Travel	8,700	8,700	7,500	(1,200)
Communications	1,100	1,100	2,079	979
Computer expense	-	-	1,136	1,136
Supplies	1,700	1,700	2,506	806
Postage	400	400	-	(400)
Copying and printing	-	-	358	358
Indirect costs	4,700	4,700	4,761	61
Equipment	600	600	-	(600)
Rent	4,500	4,500	6,307	1,807
Miscellaneous	-	-	455	455
Insurance	-	-	898	898
Membership dues and conferences	600	600	1,591	991
In-kind expense	6,400	6,400	-	(6,400)
Total expenditures	<u>107,322</u>	<u>107,322</u>	<u>91,964</u>	<u>(15,358)</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SENIOR AIDES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Federal	\$367,663	\$367,663	\$353,057	\$ (14,606)
Local	47,000	47,000	21,006	(25,994)
Interest	-	-	149	149
Total revenues	<u>414,663</u>	<u>414,663</u>	<u>374,212</u>	<u>(40,451)</u>
Expenditures				
Salaries	285,087	285,087	275,242	(9,845)
Fringe benefits	37,072	37,072	21,052	(16,020)
Travel	-	-	1,438	1,438
Training	1,000	1,000	-	(1,000)
Rent	3,500	3,500	-	(3,500)
Insurance/bonding	-	-	1,877	1,877
Workers' compensation	10,000	10,000	7,546	(2,454)
Indirect costs	3,801	3,801	-	(3,801)
Administrative costs:				
Salaries			39,053	
Fringe benefits			8,107	
Travel			5,939	
Training			190	
Rent			5,901	
Telephone			2,080	
Supplies			1,493	
Accounting pool			4,106	
Membership dues and conferences			65	
Postage			123	
Total administrative costs	<u>74,203</u>	<u>74,203</u>	<u>67,057</u>	<u>(7,146)</u>
Total expenditures	<u>414,663</u>	<u>414,663</u>	<u>374,212</u>	<u>(40,451)</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	-	-	-	-
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NUTRITION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Federal	\$612,800	\$612,800	\$534,666	\$ (78,134)
State	-	-	31,163	31,163
Local	<u>240,624</u>	<u>240,624</u>	<u>205,992</u>	<u>(34,632)</u>
Total revenues	<u>853,424</u>	<u>853,424</u>	<u>771,821</u>	<u>(81,603)</u>
Expenditures				
Salaries	212,670	212,670	160,003	(52,667)
Fringe benefits	59,339	59,339	53,419	(5,920)
Travel	9,800	9,800	5,735	(4,065)
Meal delivery	25,133	25,133	4,699	(20,434)
Communications	14,895	14,895	13,799	(1,096)
Supplies	8,807	8,807	2,427	(6,380)
Postage	500	500	576	76
Copying and printing	1,056	1,056	484	(572)
Indirect costs	19,535	19,535	17,057	(2,478)
Equipment	3,000	3,000	-	(3,000)
Rent	9,434	9,434	9,404	(30)
Audit	4,073	4,073	3,153	(920)
Miscellaneous	3,800	3,800	7,445	3,645
Training	577	577	-	(577)
Insurance	4,717	4,717	2,905	(1,812)
Membership dues and conferences	1,000	1,000	626	(374)
Contractual services	70,102	70,102	89,394	19,292
Subcontracts	389,235	389,235	380,308	(8,927)
Ensure	15,251	15,251	15,343	92
Expense site operation	<u>500</u>	<u>500</u>	<u>5,044</u>	<u>4,544</u>
Total expenditures	<u>853,424</u>	<u>853,424</u>	<u>771,821</u>	<u>(81,603)</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
EMERGENCY FOOD AND SHELTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Federal	\$ -	\$ -	\$ 15,871	\$ 15,871
Expenditures				
Emergency food and shelter expense	<u>-</u>	<u>-</u>	<u>15,871</u>	<u>15,871</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
NUTRITION MEDICAID WAIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
Local revenue - insurance reimbursements	\$ 94,666	\$ 94,666	\$ 81,280	\$(13,386)
Expenditures				
Salaries	18,961	18,961	16,230	(2,731)
Fringe benefits	1,414	1,414	1,225	(189)
Indirect costs	2,211	2,211	1,607	(604)
Subcontracts	63,140	63,140	60,618	(2,522)
Expense site operation	8,940	8,940	1,600	(7,340)
Total expenditures	<u>94,666</u>	<u>94,666</u>	<u>81,280</u>	<u>(13,386)</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
 HCBS HOMEMAKER
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues				
Federal	\$ -	\$ -	\$ 13,626	\$ 13,626
State	95,550	95,550	93,952	(1,598)
Total revenues	<u>95,550</u>	<u>95,550</u>	<u>107,578</u>	<u>12,028</u>
Expenditures				
Salaries	71,900	71,900	81,969	10,069
Fringe benefits	7,100	7,100	7,013	(87)
Travel	3,000	3,000	3,093	93
Communications	2,000	2,000	2,842	842
Supplies	1,900	1,900	1,584	(316)
Postage	300	300	311	11
Copying and printing	-	-	430	430
Indirect costs	7,500	7,500	8,692	1,192
Miscellaneous	1,850	1,850	203	(1,647)
Training	-	-	75	75
Insurance	-	-	1,291	1,291
Membership dues and conferences	-	-	75	75
Total expenditures	<u>95,550</u>	<u>95,550</u>	<u>107,578</u>	<u>12,028</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SCHEDULE OF LOCAL CONTRIBUTIONS**

For the Year Ended June 30, 2017

Benton County	
County of	\$ 2,387
Camden, Town of	251
Carroll County	
County of	4,563
Crockett County	
County of	2,334
Dyer County	
County of	6,134
Gibson County	
County of	5,900
Bradford, City of	73
Dyer, City of	164
Gibson, City of	28
Humboldt, City of	592
Medina, Town of	244
Milan, City of	550
Rutherford, Town of	81
Trenton, City of	298
Yorkville, City of	20
Henry County	
County of	5,173
Lake County	
County of	1,253
Obion County	
County of	4,354
Hornbeak, City of	17
Kenton, City of	51
Obion, Town of	45
Rives, City of	13
Samburg, City of	9
South Fulton, City of	94
Troy, Town of	55
Union City, City of	436
Woodland Mills, Town of	15
Weakley County	
County of	4,270
Dresden, City of	210
Gleason, City of	101
Greenfield, City of	153
Martin, City of	803
Sharon, City of	66
Total	<u>\$40,737</u>

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**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017**

<u>CFDA Number</u>	<u>Grantor Agency/ Pass-through/ Grant Number</u>	<u>Program Name</u>	<u>Expenditures</u>
U.S. Department of Labor/			
Senior Service America, Inc./			
17.235	AD-26910-15-55-A-24	Senior Community Service Employment Program	\$ 3,781
17.235	AD-29496-16-55-A-24	Senior Community Service Employment Program	<u>349,276</u>
			<u>353,057</u>
U.S. Department of Homeland Security			
97.024	N/A	Emergency Food and Shelter Program	15,871
Pass-through Funding from NWTDD			
U.S. Department of Health and Human Services, Administration on Aging/ Special Programs for the Aging/			
93.044	N/A	Grants for Supportive Services and Senior Citizens	30,664
93.044	N/A	Transportation Services - IIIB Funds	10,993
93.045	N/A	Nutrition Services	<u>447,866</u>
		Total Aging Cluster	489,523
93.052	N/A	National Family Caregiver Support, Title III, Part E	13,626
93.042	N/A	Ombudsman Services for Older Individuals	67,800
U.S. Department of Agriculture			
10.550	N/A	Nutrition Services Incentive Program	<u>86,800</u>
		Total pass-through from NWTDD	657,749
U.S. Department of Transportation, Federal Transit Administration (FTA)/			
Pass-through Tennessee Department of Transportation/			
20.509	985311-S3-218	Formula Grants for Rural Areas	5,098
20.509	Z-17-RT0007-00	Formula Grants for Rural Areas	<u>1,583,357</u>
			* 1,588,455
20.516	GG-14-39301	Job Access and Reverse Commute Program	2,530
20.516	985316-S3-073	Job Access and Reverse Commute Program	<u>15,477</u>
			* 18,007
20.526	Z-17-BP0004-00	Bus and Bus Facilities Formula Program	* <u>425,425</u>
		Total pass-through from TDOT	2,031,887
U.S. Department of Health and Human Services, Administration for Children and Families/			
Pass-through Tennessee Department of Health and Human Services/			
93.667	Z-16-49314	Social Services Block Grant	<u>187,379</u>
		Total federal awards	<u>\$ 3,245,943</u>

*major program

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NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Northwest Tennessee Human Resource Agency under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of U.S. Code of Federal Regulations, Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Airport, it is not intended to, and does not, present the financial position or changes in financial position of Northwest Tennessee Human Resource Agency.

Note 2 – Summary of Significant Accounting Policies

Expenditures in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – Indirect Cost Rate

Northwest Tennessee Human Resource Agency has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2017

<u>State Grant Number</u>	<u>Grantor Agency/ Program Name</u>	<u>Expenditures</u>
	Tennessee Department of Transportation	
Z-17-BP0004-00	Rural Public Transportation	\$ 37,537
Z-17-RT0007-00	Rural Public Transportation	790,679
		<u>828,216</u>
985316-S3-073	Transportation Capital and Operating Assistance	7,738
985316-S3-068	Access to Jobs	1,266
		<u>837,220</u>
Pass-Through	NWTDD - Nutrition Services	31,163
Pass-Through	NWTDD - HCBS Homemaker	93,952
Pass-Through	NWTDD - HCBS Nutrition	110,858
Pass-Through	NWTDD - Title III	3,059
N/A	Direct Appropriation	<u>120,840</u>
	Total state assistance	<u>\$ 1,197,092</u>

NOTE: The above schedule is prepared on the modified accrual basis of accounting.

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INTERNAL CONTROL AND COMPLIANCE SECTION



Independent Auditor's 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*

Executive Director and Board of Directors
Northwest Tennessee Human Resource Agency
Martin, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northwest Tennessee Human Resource Agency, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 29, 2017



**Independent Auditor's Reports on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Directors
Northwest Tennessee Human Resource Agency
Martin, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Northwest Tennessee Human Resource Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northwest Tennessee Human Resource Agency's major federal programs for the year ended June 30, 2017. Northwest Tennessee Human Resource Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Northwest Tennessee Human Resource 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, 2017.

Report on Internal Control over Compliance

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

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

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

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

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 29, 2017

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- material weakness(es) identified? yes no
- significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- material weakness(es) identified? yes no
- significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas
20.516	Job Access and Reverse Commute Program
20.526	Bus and Bus Facilities Formula Program

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

Auditee qualified as low-risk auditee? yes no

**NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
For the year ended June 30, 2017

Section II – Financial Statement Findings

There were no financial statement findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs required by 2 CFR Section 200.516(a) reported.

NORTHWEST TENNESSEE HUMAN RESOURCE AGENCY
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2017

Disposition of Prior Year Findings

Finding No.	Description	Status
2016-001	Segregation of Duties (original #1998-001)	corrected

There were no findings or questioned costs required by 2 CFR Section 200.516(a) reported in the prior year.