

**DELTA HUMAN RESOURCE AGENCY**

**FOR THE YEAR ENDED  
JUNE 30, 1995**

**Arthur A. Hayes, Jr., CPA**

Director

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Editor

July 8, 1996

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Board of Directors  
Delta Human Resource Agency  
Covington, Tennessee 38019

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Delta Human Resource Agency for the year ended June 30, 1995. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of the internal control structure and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/tp  
96/076

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Delta Human Resource Agency**  
For the Year Ended June 30, 1995

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the agency's internal control structure; to determine the fairness of the presentation of the financial statements; to determine compliance with laws, regulations, contracts, and grants; and to recommend appropriate actions to correct any deficiencies.

## AUDIT FINDINGS

The audit report contains no findings.

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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AUDIT REPORT  
DELTA HUMAN RESOURCE AGENCY  
FOR THE YEAR ENDED JUNE 30, 1995

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DELTA HUMAN RESOURCE AGENCY  
FOR THE YEAR ENDED JUNE 30, 1995

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INTRODUCTION

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Delta Human Resource Agency. The audit was conducted pursuant to Section 13-26-106, *Tennessee Code Annotated*, which states:

The annual report, including financial statements, and all books of account and financial records shall be subject to annual audit by the comptroller of the treasury. A human resource agency may, with the prior approval of the comptroller, engage licensed independent public accountants to perform the audits.

**OBJECTIVES OF THE AUDIT**

The objectives of the audit were

1. to consider the agency's internal control structure to determine auditing procedures for the purpose of expressing opinions on the financial statements and on compliance with specific requirements applicable to major federal financial assistance programs;
2. to test controls to evaluate the effectiveness of the design and operation of internal control structure policies and procedures applicable to major federal financial assistance programs;
3. to determine the fairness of the presentation of the financial statements;
4. to determine the fairness of the presentation of the supplementary information, in all material respects, in relation to the agency's financial statements taken as a whole;
5. to determine compliance with laws, regulations, contracts, and grants;
6. to determine compliance with specific requirements applicable to major federal financial assistance programs;
7. to test compliance with general requirements applicable to federal financial assistance programs;

8. to test compliance with specific requirements applicable to nonmajor federal financial assistance program transactions; and
9. to recommend appropriate actions to correct any deficiencies.

## **SCOPE OF THE AUDIT**

The audit is limited to the period July 1, 1994, through June 30, 1995, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 1995, and for comparative purposes, the year ended June 30, 1994.

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## **BACKGROUND AND ORGANIZATION**

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### **BACKGROUND**

Tennessee's nine human resource agencies were created by Chapter 289 of the Public Acts of 1973, known as the Human Resource Agency Act of 1973, and operate under the authority of Title 13, Chapter 26, as amended, of *Tennessee Code Annotated*. This legislation provides a regional system to deliver human resource programs in the state's counties and cities.

The Delta Human Resource Agency was established in February 1990 and comprises the following counties: Fayette, Lauderdale, and Tipton. The agency's administrative offices are in Covington, Tennessee.

### **ORGANIZATION**

The governing body of the Delta Human Resource Agency is the board of directors. As of June 30, 1995, the board was composed of 32 members. (See Appendix.)

The agency's programs are carried out by a staff under the supervision of the executive director, who is appointed by the board of directors. For the year ended June 30, 1995, the major programs in which the Delta Human Resource Agency was involved and the grantor agencies that provided the major funding for the programs are presented below.

Program  
HOME Investment Partnerships Program  
Low-Income Home Energy Assistance

Grantor  
Tennessee Housing Development Agency  
Tennessee Department of Human Services

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### PRIOR AUDIT FINDINGS

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There were no findings in the prior audit report.

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### RESULTS OF THE AUDIT

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### AUDIT CONCLUSIONS

#### Internal Control Structure

As part of the audit of the agency's financial statements for the year ended June 30, 1995, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards, and an opinion on compliance with specific requirements applicable to major federal financial assistance programs, as required by the Single Audit Act. In addition, controls were tested to evaluate the effectiveness of the design and operation of internal control structure policies and procedures applicable to major federal financial assistance programs. The reports on the internal control structure are on the following pages. Consideration of the internal control structure disclosed no material weaknesses.

#### Fairness of Presentation of the Financial Statements and Supplementary Information

The Division of State Audit has rendered an unqualified opinion on the agency's financial statements. In our opinion, the statements in this report present fairly, in all material respects, the financial position of the agency at June 30, 1995, and the results of its operations for the year then ended.

In our opinion, the supplementary information in this report is fairly presented, in all material respects, in relation to the financial statements of the agency taken as a whole. The independent auditor's report follows the Schedule of Noncompliance and Questioned Costs.

#### Compliance with Laws and Regulations

With respect to the items tested, the agency complied with the provisions of laws, regulations, contracts, and grants that may have a material effect on the agency's financial statements for the year ended June 30, 1995.

In our opinion, the agency complied, in all material respects, with the specific requirements applicable to each of its major federal financial assistance programs for the year ended June 30, 1995.

All identified instances of noncompliance with laws, regulations, contracts, and grants connected with federal financial assistance programs are reported in the Schedule of Noncompliance and Questioned Costs in this report. The compliance reports follow the reports on the internal control structure.

**Report on the Internal Control Structure Based on an  
Audit of the Financial Statements Performed in Accordance With  
*Government Auditing Standards***

March 21, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Delta Human Resource Agency as of and for the year ended June 30, 1995, and have issued our report thereon dated March 21, 1996.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The agency's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

The Honorable W. R. Snodgrass  
March 21, 1996  
Page Two

In planning and performing our audit of the agency's financial statements for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the agency's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, management, and the appropriate grantor agencies. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp

**Single Audit Report on the Internal Control  
Structure Used in Administering Federal  
Financial Assistance Programs**

March 21, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Delta Human Resource Agency as of and for the year ended June 30, 1995, and have issued our report thereon dated March 21, 1996. We have also audited the agency's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 21, 1996.

We conducted our audit in accordance with generally accepted government auditing standards and Office Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the agency complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended June 30, 1995, we considered the agency's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the agency's financial statements and on its compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated March 21, 1996.

The Honorable W. R. Snodgrass

The agency's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Applications

- Receivables
- Revenues
- Purchasing
- Payables
- Cash disbursements
- Payroll
- Property and equipment
- General ledger

We have classified the significant controls used in administering federal financial assistance programs in the following categories:

General Requirements

- Political activity
- Civil rights
- Cash management
- Federal financial reports

- Allowable costs/cost principles
- Drug-free workplace
- Administrative requirements

#### Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

#### Claims for Advances and Reimbursements

#### Amounts Claimed or Used for Matching

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1995, the agency expended 55.8 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the agency's major federal financial assistance programs, which are identified in the accompanying schedules of financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not

The Honorable W. R. Snodgrass  
March 21, 1996  
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reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the agency's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, management, and the appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp

**Compliance Report Based on an Audit of the  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

March 21, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Delta Human Resource Agency as of and for the year ended June 30, 1995, and have issued our report thereon dated March 21, 1996.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the agency is the responsibility of the agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. We noted certain immaterial instances of noncompliance that we have reported to the agency's management on the Schedule of Noncompliance and Questioned Costs.

The Honorable W. R. Snodgrass  
March 21, 1996  
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This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, management, and the appropriate grantor agencies. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp

**Single Audit Opinion on Compliance With Specific  
Requirements Applicable to Major Federal Financial  
Assistance Programs**

March 21, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Delta Human Resource Agency as of and for the year ended June 30, 1995, and have issued our report thereon dated March 21, 1996.

We have also audited the agency's compliance with the requirements governing types of services allowed or unallowed; eligibility; level of effort or earmarking; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedules of financial assistance, for the year ended June 30, 1995. The agency's management is responsible for the agency's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted government auditing standards and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the agency's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The Honorable W. R. Snodgrass  
March 21, 1996  
Page Two

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Noncompliance and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the agency complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; level of effort or earmarking; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1995.

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, management, and the appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp

**Single Audit Report on Compliance With the  
General Requirements Applicable to  
Federal Financial Assistance Programs**

March 21, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Delta Human Resource Agency as of and for the year ended June 30, 1995, and have issued our report thereon dated March 21, 1996.

We have applied procedures to test the agency's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedules of financial assistance, for the year ended June 30, 1995: political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, drug-free workplace, or administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the agency's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the agency had not complied, in all material respects, with those requirements. However, the results

Honorable W. R. Snodgrass  
March 21, 1996  
Page Two

of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Noncompliance and Questioned Costs.

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, management, and the appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp

**Single Audit Report on Compliance With Specific Requirements  
Applicable to Nonmajor Federal Financial  
Assistance Program Transactions**

March 21, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Delta Human Resource Agency as of and for the year ended June 30, 1995, and have issued our report thereon dated March 21, 1996.

In connection with our audit of the financial statements of the agency and with our consideration of the agency's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, and special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the agency's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe the agency had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Noncompliance and Questioned Costs.

The Honorable W. R. Snodgrass  
March 21, 1996  
Page Two

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, management, and the appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp



## **Independent Auditor's Report**

March 21, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying combined balance sheets of the Delta Human Resource Agency as of June 30, 1995, and June 30, 1994, and the related combined statements of revenues, expenditures, and changes in fund balances for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delta Human Resource Agency as of June 30, 1995, and June 30, 1994, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass  
March 21, 1996  
Page Two

Our audit was made for the purpose of forming an opinion on the financial statements, taken as a whole. The accompanying supplementary information on pages 33 through 38 is presented for purposes of additional analysis and is not a required part of the agency's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements, taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued reports dated March 21, 1996, regarding our consideration of the agency's internal control structure and its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp







DELTA HUMAN RESOURCE AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

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

**Reporting Entity**

The Delta Human Resource Agency was established in 1990 in accordance with Title 13, Chapter 26, as amended, of *Tennessee Code Annotated*. This legislation provides a regional system to deliver human resource programs in the state's counties and cities. It is governed by a 32-member governing board. The board consists of the county executives and mayors within the area served by the agency, one state senator and one state representative whose districts lie wholly or in part within the area served by the agency, and members appointed by the county executive—one from each county served by the agency. For financial reporting purposes, the agency includes all activities over which the Board of Directors is financially accountable.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**Fund Structure, Basis of Accounting, and Measurement Focus**

The financial records of the agency are maintained on the cash basis of accounting. At year-end, the books are adjusted to the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

The agency's accounts are organized and operated on the basis of fund types and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

DELTA HUMAN RESOURCE AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
JUNE 30, 1995, AND JUNE 30, 1994

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The financial activities of the agency reported in the accompanying financial statements are classified into two fund types and one account group:

Governmental Fund Types

*General Fund* — used to account for all resources not accounted for in another fund.

*Special Revenue Fund* — used to account for resources received under cost-reimbursement grant agreements.

Account Group

*General Fixed Assets Account Group (GFAAG)* — used to account for all the agency's fixed assets. The GFAAG is not a fund, but rather a management control and accountability listing of the agency's general fixed assets.

Fixed assets are recorded at acquisition cost and are shown as expenditures at the time of purchase. They are not depreciated. Donated fixed assets are recorded at estimated fair market value at the date of donation.

**Budgetary Process**

The agency does not have an annual appropriated budget. The grant documents serve as the financial plans for budgetary purposes.

**Totals (Memorandum Only)**

The total columns of the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**NOTE 2. CONTINGENCIES**

DELTA HUMAN RESOURCE AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
JUNE 30, 1995, AND JUNE 30, 1994

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Sick Leave — The agency records the cost of sick leave when paid; therefore, there is no liability in the accompanying financial statements for unpaid accumulated sick leave. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The amount of unused sick leave was \$18,855.48 at June 30, 1995, and \$16,701.55 at June 30, 1994.

**NOTE 3. DEPOSITS**

At June 30, 1995, the carrying amount of the agency's deposits was \$247,865.29, and the bank balance was \$262,339.12. The entire bank balance was insured or collateralized with securities held by the agency or by its agent in the agency's name.

At June 30, 1994, the carrying amount of the agency's deposits was \$106,279.57 and the bank balance was \$159,373.46. The entire bank balance was insured or collateralized with securities held by the agency or by its agent in the agency's name. From July 1, 1993, through August 3, 1993, the agency had uncollateralized amounts as high as \$30,790.55. The uncollateralized amounts related to a court decision by the U.S. Court of Appeals for the Eighth Circuit which raised a question about the enforceability of security interests in collateral pledged to secure deposits held in financial institutions. The court decision was based on Section 1823(e) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Because the agency's security agreement did not meet the requirements outlined in Section 1823(e) of the act, it is uncertain whether the agency had any priority claim to the collateral pledged to secure deposits in excess of FDIC insurance coverage. The agency's agreement was revised as of August 3, 1993, to meet those new requirements.

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**NOTE 4. INTERFUND RECEIVABLE/PAYABLE ACCOUNTS**

These accounts represent the amount owed to the general fund by the special revenue fund because operating cash had been transferred to the special revenue fund to cover its negative cash balance at year-end.

**NOTE 5. FIXED ASSETS**

The following changes in general fixed assets occurred during the year ended June 30, 1995:

	Balance July 1, <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>1995</u>
Furniture and equipment	\$54,069.63	\$ -	\$ -	\$54,069.63
Vehicles	<u>19,031.00</u>	<u>-</u>	<u>-</u>	<u>19,031.00</u>
Totals	<u>\$73,100.63</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$73,100.63</u>

The following changes in general fixed assets occurred during the year ended June 30, 1994:

	Balance July 1, <u>1993</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>1994</u>
Furniture and equipment	\$46,937.68	\$ 8,331.95	\$ 1,200.00	\$54,069.63
Vehicles	<u>19,031.00</u>	<u>-</u>	<u>-</u>	<u>19,031.00</u>
Totals	<u>\$65,968.68</u>	<u>\$ 8,331.95</u>	<u>\$ 1,200.00</u>	<u>\$73,100.63</u>

**NOTE 6. RESERVED FUND BALANCE**

The reserved fund balance as of June 30, 1995, was \$31,040. This amount represents donations of \$11,982 for a Group work camp program, \$58 for prepaid items, and \$19,000 of the agency's unexpended 1995 state appropriation. At the

DELTA HUMAN RESOURCE AGENCY  
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request of the agency's board of directors, the Tennessee Department of Human Services approved reservation of the unexpended state appropriation to purchase a van during the year ending June 30, 1996.

The reserved fund balance as of June 30, 1994, was \$1,500. This amount represents donations for a Group work camp program.

**NOTE 7. OPERATING LEASES**

The agency leases office space to carry out its activities and to administer the various grant programs. The lease, which expires June 30, 1995, requires monthly rental payments of \$1,480. During the year ended June 30, 1995, the agency rented 3,750 square feet of office space at a cost of \$17,760. Payments for other leases during the year totaled \$18,152.96.

During the year ended June 30, 1994, the agency rented office space at a cost of \$17,760. Payments for other leases during that year totaled \$17,528.

All leases are cancelable at the agency's option.

**NOTE 8. DEFINED BENEFIT PENSION PLAN**

A. Plan Description

Beginning April 1, 1994, after successful completion of a six-month probation period, all employees of the Delta Human Resource Agency are enrolled in the Tennessee Consolidated Retirement System (TCRS), in an agent multiple employer public employee retirement plan. TCRS acts as a common investment and administrative agent for political subdivisions in the state. The Delta Human Resource Agency participates in the TCRS as a political subdivision and is liable for the costs associated with the operation and administration of its plan. The agency's payroll for employees covered by the TCRS for the year ended June 30, 1995, was \$252,025.35, and total payroll for all employees was \$268,403.98. The agency's payroll for employees covered by the TCRS for the period April 1, 1994, through June 30, 1994, was \$63,648.33, and total payroll for all employees was \$71,090.03.

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The TCRS is a defined benefit pension plan covering teachers and general employees of the state, higher education employees, and employees of participating political subdivisions. Membership in the system is mandatory for state employees, teachers, higher education employees, and employees of participating political subdivisions. The TCRS provides retirement benefits as well as death and disability benefits. TCRS' benefits are based on the number of years of creditable service and highest average salary for five consecutive years. Members attain vesting rights after five years of service. Members are eligible to retire at age 60 with five years' service or at any age with 30 years' service. Early retirement with reduced benefits is available to vested members who are at least age 55 or have 25 years of service. Disability benefits are available to members with five years' service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was performing duties. As authorized by the agency's board of directors, employees who had three or more years of service to the agency on April 1, 1994, received credit for three years of service toward the vesting period. Employees with less than three years of service received credit for their actual amount of service toward the vesting period. Benefit provisions are established and amended by state statute. Amendments to the TCRS plan are not applicable to a political subdivision unless approved by the political subdivision's governing body.

As authorized by the agency's board of directors, the agency's plan is contributory whereby the employee contributes 5.00% of his or her earnable compensation, and the employer is responsible for the remaining contribution. The agency currently contributes 5.71% of earnable compensation.

**B. Funding Status and Progress**

The "pension benefit obligation," which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess on a going concern basis, the funding status of the system to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement

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systems and employers. The measure is independent of the actuarial funding method used to determine contributions to the system.

The pension benefit obligation and related disclosures are not available for June 30, 1995. New plan participants must be in the plan for two years before an actuarial valuation can be performed to determine the pension benefit obligation and actuarial contribution requirements. This information will be available after the next TCRS actuarial valuation as of June 30, 1997 (effective July 1, 1998). The initial actuarial valuation to determine the agency's rate (a percentage of payroll) became effective April 1, 1994, when the agency's participation began. This rate will remain in effect until the June 30, 1997, valuation.

C. Actuarially Determined Contribution Requirements and Contributions Made

It is the policy of the TCRS' Board of Trustees to fund pension benefits by actuarially determined contributions which are intended to provide funding for both the normal cost and the unfunded actuarial accrued liability cost, so that sufficient assets will be available to pay benefits when due. The frozen initial liability method, a projected benefit cost method, is used to value the plan. Information regarding the normal costs and unfunded actuarial accrued liability for the year ended June 30, 1995, is not available. However, all unfunded actuarial accrued liabilities will be amortized over a 30-year period. The accrued liability for basic benefits and cost-of-living benefits will be amortized as a level-dollar amount.

Actuarially required contributions for the year ended June 30, 1995, net of forfeitures, totaled \$26,991.89, consisting of agency contributions of \$14,390.62 (5.71% of covered payroll) and employee contributions of \$12,601.26 (5% of covered payroll).

Actuarially required contributions for the period April 1, 1994, through June 30, 1994, net of forfeitures, totaled \$6,816.32, consisting of agency contributions of \$3,634.37 (5.71% of covered payroll) and employee contributions of \$3,182.45 (5% of covered payroll).

D. Trend Information

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Trend information showing the progress by the agency in accumulating sufficient assets to pay benefits when due is not available.

Historical trend information for the retirement system as a whole may be found in the *Tennessee Consolidated Retirement System Annual Financial Report* for the year ended June 30, 1995.

**NOTE 9. RISK MANAGEMENT**

The agency participates in the Tennessee Municipal League (TML) Risk Management Pool, for the following risks of loss: commercial general liability; theft of, damage to, or destruction of real and personal property; employee dishonesty; bodily injury, property damage, physical damage, and personal injury liability for vehicle operation; and worker's compensation and employer's liability. The agency's agreement with the TML Risk Management 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. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

The agency elected to provide basic health, dental, life, accident, and cancer insurance coverage for its employees through commercial insurance policies. The agency's obligation for all coverages selected by employees is limited to \$75.00 per month per employee.

**NOTE 10. DONATED SERVICES**

The agency receives the use of a van for the transportation program. The van is provided by the Metro Inter-Faith Association, Inc., for a \$1.00 charge to the agency. The agency pays for maintenance, repairs, and insurance. The value of the donation is not recorded in the financial statements.













**APPENDIX**

**DELTA HUMAN RESOURCE AGENCY**

John Snead, Executive Director

**BOARD OF DIRECTORS**

Board Officers

Jeff Huffman, Tipton County Executive, Chairman  
Mayor Fred Montgomery, City of Henning, Vice Chairman  
Billy Wilson, Treasurer

Executive Committee Members

County Executive Jim Voss, Fayette County	Mayor Sissy Sterling Dowdle, City of Moscow
County Executive Rozelle Criner, Lauderdale County	Mr. Carliss Maclin, Fayette County
Mr. Charles Cutlip, Lauderdale County	Mr. Robert Noell, Tipton County

Other Members of the Board of Directors

Fayette County

Mayor Lisa Tapp, Braden  
Mayor Layton Watson, Galloway  
Mayor Ed White, La Grange  
Mayor James C. Gaither, Sr., Rossville  
Mayor Jack Blackwell, Somerville  
Mayor Judith Freeland, Williston  
Mayor James F. Reger, Piperton  
Mayor William Mullins, Oakland

Lauderdale County

Mayor Randy Harris, Halls  
Mayor Booker Nance, Jr., Gates  
Mayor Richard Douglas, Ripley  
Mr. Michael Moore, Gates

Tipton County

Mayor Russell Bailey, Covington  
Mayor Glenn Hensley, Garland  
Mayor Jimmy Burlison, Burlison  
Mayor Dewayne Huffman, Gilt Edge  
Mayor John Chorley, Munford  
Mayor Charles Walker, Atoka  
Mayor Joe D. Ward, Mason  
Mayor Guss Smith, Brighton  
Ms. Patsy Fee, Brighton  
Senator Tom Leatherwood, Millington  
Representative James O. Naifeh, Covington