

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.

Financial Statements
With Supplementary Information

Year Ended June 30, 2016

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
 Financial Statements
 With Supplementary Information
 Year Ended June 30, 2016

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DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Roster of Officials and Board Members
June 30, 2016

Officials

Ms. Susan Luker
Mr. David Sigler

Executive Director
Fiscal Officer

Board Members

Cocke

Jan Brockwell
Charlotte Tweed
Pam Lowe
Bettye Carver
Linda Branam

Grainger

Sherrie Patterson
Terry Wolfe
Donna Stansberry
Michael Collins
Lane Wolfenbarger

Hamblen

Roxanne Bowen
Bill Brittain
Barbara Mason
Jim Clawson
Eddie Villa

Jefferson

Nancy Farris
Scott Tipton
Rene Tabor
Elaine Smith

Monroe

Roy Inman, Jr.
Joe Burns
Patricia Best
Conlie Rasnake

Sevier

Wayne Helton
Buster Norton
Ann Montgomery
Rebecca Trosclair

Independent Auditors' Report

Board of Directors
Douglas-Cherokee Economic Authority, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Douglas-Cherokee Economic Authority, Inc. (the "Agency") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of any of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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 financial statement 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Agency, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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, the schedule of changes in the net pension liability (asset) and related ratios and the schedule of contributions listed in the table of contents 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.

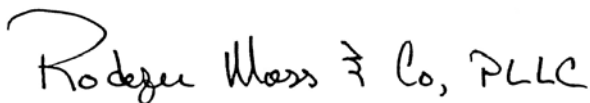
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedules of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedules of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Roderick Mass & Co, PLLC

Greeneville, Tennessee
January 17, 2017

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis
June 30, 2016

Overview of financial statements

The financial statements for Douglas-Cherokee Economic Authority, Inc. ("DCEA") include: Government-Wide Statement of Net Assets and Statement of Activities; Governmental Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds; Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities; Statement of Capital Assets; Schedule of Expenditures of Federal and State Awards; Statement of Administrative Expenses, Statement of In-Kind Support, and Statement of Individual Grant Funds. The financial statements also include Balance Sheets, Statements of Activities, and Statements of Cash Flows for the Agency's component units. In addition to these statements, Notes to the Financial Statements, Required Supplementary and Other Supplementary Information are provided. This discussion focuses on the primary government, and references to "DCEA" refer to the primary government, not the government-wide statements, unless otherwise indicated.

The Fund Balance Sheet shows assets, liabilities, and fund equity accounts. Information is provided for governmental fund types.

In the governmental fund types, all assets, liabilities and fund equity are broken down into the general fund and grant fund. The general fund accounts for all financial resources not accounted for in the grant fund. The grant revenue fund accounts for resources from Federal and State grant agreements.

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

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

The supplementary information provided is used as a tool to explain further the financial information of DCEA.

Financial Highlights

Total assets and deferred outflows of the agency are \$13,589,696 and exceed total liabilities and deferred inflows by \$10,940,320. Assets include cash and certificates of deposit, receivables, prepaid expenses, equipment, land, building, and net pension asset. Liabilities include payables, accrued salaries, and accrued leave liability. The Agency also reported deferred outflows of resources and deferred inflows of resources. The following are some of the changes noted in the financial statements.

DCEA Net Position Comparison

	<u>2015</u>	<u>2016</u>	<u>Variance</u>
Cash & Certificates of Deposit	\$ 4,223,811	\$ 4,455,255	\$ 231,444
Receivables	1,975,743	1,591,511	(384,232)
Prepaid Expenses/Inventories	47,918	101,152	53,234
Capital Assets	5,322,758	5,458,466	135,708
Net Pension Asset	<u>738,062</u>	<u>698,508</u>	<u>(39,554)</u>
Total Assets	12,308,292	12,304,892	(3,400)
Deferred Outflows of Resources	<u>675,180</u>	<u>1,284,804</u>	<u>609,624</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

DCEA Net Position Comparison (Continued)

	<u>2015</u>	<u>2016</u>	<u>Variance</u>
Liabilities	1,414,405	1,340,478	(73,927)
Deferred Inflows of Resources	1,591,652	1,308,898	(282,754)
Net Position			
Investment in capital assets	5,276,758	5,430,466	153,708
Restricted	27,114	27,114	-
Unrestricted	4,673,543	5,482,740	809,197
Total Net Position	<u>\$ 9,977,415</u>	<u>\$ 10,940,320</u>	<u>\$ 962,905</u>

	<u>2015</u>	<u>2016</u>	<u>Difference</u>
<u>Cash and Certificates of Deposit</u>	\$ 4,223,811	\$ 4,455,255	\$ 231,444

The increase in cash is primarily due to receiving older payments for component unit contract labor, management, and bookkeeping fees.

<u>Receivables</u>	\$ 1,975,745	\$ 1,591,511	\$ (384,234)
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The majority of the difference reflects decreases in receivables due from component units.

<u>Prepaid Expenses/Inventories</u>	\$ 47,918	\$ 101,152	\$53,234
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The difference reflects an increase in prepaid expenses for the Upward Bound and Talent Search Program's summer trip.

<u>Capital Assets</u>	\$ 5,322,758	\$ 5,458,466	\$ 135,708
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The difference in capital outlay is for increase in building and improvements of \$235,222, the increase in Land \$27,953, the increase in construction in progress of \$168,685, a decrease in depreciation \$(111,612) and deletions of \$(184,540) made during the year.

<u>Net Pension Asset</u>	\$ 738,062	\$ 698,508	\$(39,554)
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The difference reflects the Agency's Net Pension Asset. GASB Statement No. 68 and 71 Accounting Financial Reporting for Pensions became effective for employer financial statements for the fiscal year beginning after June 15, 2014.

<u>Deferred Outflows</u>	\$ 675,180	\$ 1,284,804	\$609,624
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The difference reflects the Agency's pension contributions after the measurement date and the net difference between expected and actual experience. GASB Statement No. 68 Accounting Financial Reporting for Pensions became effective for employer financial statements for the fiscal year beginning after June 15, 2014.

<u>Liabilities</u>	\$ 1,414,405	\$ 1,340,478	\$ (73,927)
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The difference reflects decreases in Accounts Payables of (\$74,012), decrease in Notes Payable \$(18,000), and an increase in Accrued Leave of \$15,124, in Accrued Payroll of \$2,801 and Other Accrued Payables of \$160.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

<u>Deferred Inflows</u>	\$ 1,591,652	\$ 1,308,898	\$(282,754)
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The difference reflects the change in unearned revenue from previous year. It also reflects the differences between expected and actual experience and the difference between projected and actual earnings of pension plan investments. GASB No. 68 Accounting Financial Reporting for Pensions became effective for employer financial statements for the fiscal year beginning after June 15, 2014.

<u>Net Position</u>	\$ 9,977,415	\$ 10,940,320	\$962,905
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The difference reflects an increase in assets of \$135,708, principal payments of debt of \$18,000, and a net change in governmental funds of \$(16,340).

DCEA Changes in Net Position

	<u>2015</u>	<u>2016</u>	<u>Variance</u>
REVENUES			
Federal financial assistance	\$ 16,207,097	\$ 16,015,032	\$ (192,065)
State financial assistance	445,849	418,882	(26,967)
Local contributions	200,391	252,612	52,221
Program income	58,916	49,452	(9,464)
Other income	<u>2,900,079</u>	<u>2,048,886</u>	<u>(851,193)</u>
Total revenues	<u>19,812,332</u>	<u>18,784,864</u>	<u>(1,027,468)</u>
EXPENDITURES			
Salaries and wages	8,674,715	8,668,376	(6,339)
Fringe benefits	2,645,492	2,579,832	(65,660)
Professional services	247,096	118,981	(128,115)
Supplies	404,255	473,159	68,904
Communications	214,694	194,111	(20,583)
Postage and shipping	22,302	17,978	(4,324)
Occupancy	761,154	763,056	1,902
Equipment rental/maintenance	23,920	21,861	(2,059)
Printing and publications	90,635	88,743	(1,892)
Travel	399,322	350,244	(49,078)
Staff development and training	61,618	65,480	3,862
Debt service			-
Principal	18,000	18,000	-
Interest	480	320	(160)
Insurance	132,159	113,867	(18,292)
Assistance to individuals	3,014,210	2,915,252	(98,958)
Contracted services	86,381	255,127	168,746
Raw food	831,726	833,056	1,330
Miscellaneous	122,905	110,037	(12,868)
Capital expenditure	359,535	207,803	(151,732)
Indirect costs	<u>1,006,636</u>	<u>1,005,921</u>	<u>(715)</u>
Total expenditures	<u>19,117,235</u>	<u>18,801,204</u>	<u>(316,031)</u>
Revenues over (under) expenditures	695,097	(16,340)	(711,437)
Net Position-Beginning	<u>4,156,683</u>	<u>4,851,780</u>	<u>695,097</u>
Net Position-Ending	<u>\$ 4,851,780</u>	<u>\$ 4,835,440</u>	<u>\$ (16,340)</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

	<u>2015</u>	<u>2016</u>	<u>Difference</u>
<u>Fund Balance</u>	\$ 4,851,780	\$4,835,440	\$ (16,340)

Expenses exceeded revenues by \$(16,340).

Statement of Revenues, Expenditures, and Changes in Fund Balance Comparison

<u>Revenues</u>	\$19,812,332	\$18,784,864	\$(1,027,468)
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The major portion of the decrease was in miscellaneous income from two housing refinances from prior year.

Program Expenditures

<u>Federal</u>	<u>2015</u>	<u>2016</u>	<u>Variance</u>
EOC	\$ 216,112	\$ 225,940	\$ 9,828
Upwardbound-Scott/Morgan	331,081	359,578	28,497
Upwardbound-Grainger/Hawkins	260,583	274,503	13,920
Talent Search	353,204	318,597	(34,607)
21st Century Learning Center	742,684	780,993	38,309
Adult Education	146,531	-	(146,531)
Community Based Abstinence	90,430	95,382	4,952
Head Start/Early	8,132,967	8,132,967	-
Teen Pregnancy Prevention	644,677	886,562	241,885
Responsible Fatherhood	376,061	120,572	(255,489)
CSBG	668,636	603,856	(64,780)
LIHEAP	2,865,201	2,707,769	(157,432)
Aging Programs	624,949	637,355	12,406
FEMA	12,162	49,935	37,773
Commodities	82,014	67,854	(14,160)
Child and Adult Care Food Program	602,113	611,522	9,409
WIOA	-	136,656	136,656
Workforce Investment Act	57,692	4,991	(52,701)
Total Federal Grants	\$ 16,207,097	\$ 16,015,032	\$ (192,065)
<u>State</u>			
Voluntary Pre-k	121,391	117,381	(4,010)
LEAP-After School	200,413	217,762	17,349
Tennessee Reconnect	-	1,745	1,745
Direct Appropriation	22,050	22,050	-
Adult Education	48,844	-	(48,844)
Nutrition	32,563	30,253	(2,310)
Options	20,588	29,691	9,103
Total State Grants	445,849	418,882	(26,967)
General Fund	1,778,422	1,388,045	(390,377)
Total	\$ 18,431,368	\$ 17,821,959	\$ (609,409)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

Special Revenue Fund - Revenue and Expenses

<u>Fund</u>	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Ending Balance</u>
21st Century Learning Center/GC	\$ -	\$ 780,993	\$ 780,993	\$ -
LEAP	-	217,762	217,762	-
State Appropriation	-	22,050	22,050	-
CSBG	-	603,856	603,856	-
LIHEAP	-	2,707,769	2,707,769	-
Commodities	-	67,854	67,854	-
Head Start/Early	-	8,132,967	8,132,967	-
Child & Adult Food	-	611,522	611,522	-
Voluntary Pre-K	-	117,381	117,381	-
Community Based Abstinence	-	95,382	95,382	-
Teen Pregnancy Prevention	-	886,562	886,562	-
Educational Opportunity Centers	-	225,940	225,940	-
Upward Bound:				
Scott/Morgan	-	359,578	359,578	-
Grainger/Hawkins	-	274,503	274,503	-
Talent Search	-	318,597	318,597	-
Tennessee Reconnect	-	1,745	1,745	-
Responsible Fatherhood	-	120,572	120,572	-
EFSP	-	49,935	49,935	-
WIOA	-	136,656	136,656	-
Workforce Investment	-	4,991	4,991	-
Aging Programs	-	697,299	697,299	-
	<u>\$ -</u>	<u>\$ 16,433,914</u>	<u>\$ 16,433,914</u>	<u>\$ -</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 113,340	\$ 168,685	\$ -	\$ 282,025
Construction In Progress	<u>155,700</u>	<u>27,953</u>	<u>-</u>	<u>183,653</u>
Total Capital Assets Not Being Depreciated	<u>269,040</u>	<u>196,638</u>	<u>-</u>	<u>465,678</u>
Capital assets being depreciated				
Buildings and improvements	7,219,257	235,222	(102,649)	7,351,830
Other fixed assets	<u>3,141,630</u>	<u>-</u>	<u>(81,891)</u>	<u>3,059,739</u>
Total capital assets being depreciated	<u>10,360,887</u>	<u>235,222</u>	<u>(184,540)</u>	<u>10,411,569</u>
Less accumulated depreciation for				
Buildings and improvements	(2,441,711)	102,649	(180,726)	(2,519,788)
Other fixed assets	<u>(2,865,458)</u>	<u>81,891</u>	<u>(115,426)</u>	<u>(2,898,993)</u>
Total accumulated depreciation	<u>(5,307,169)</u>	<u>184,540</u>	<u>(296,152)</u>	<u>(5,418,781)</u>
Total capital assets being depreciated, net	<u>5,053,718</u>	<u>419,762</u>	<u>(480,692)</u>	<u>4,992,788</u>
Capital assets, net	<u>\$ 5,322,758</u>	<u>\$ 616,400</u>	<u>\$ (480,692)</u>	<u>\$ 5,458,466</u>

Analysis of overall financial position

The majority of Douglas-Cherokee Economic Authority's funding is from Federal and State grants. The agency has also been able to tap into various other local resources for funding dollars as well. During fiscal year 2016 the Agency had a decrease in federal funds of \$(192,065) and a decrease in state funds of \$(26,967). Funds from other income decreased by \$(808,436), the majority of this decrease was due to, two refinances in Rental Management during the previous fiscal year. The outlook for the future of the Agency is good. DCEA continues to assess the needs of the communities served and endeavors to find ways to meet those needs.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

Discretely Presented Component Units and HUD Housing Complexes

Over the last 20 years, the DCEA Board of Directors has sponsored the construction and operation of HUD housing complexes for persons over 60 and/or disabled. The complex boards provide for the oversight and management of each complex. As a part of the management, the complex boards have engaged the services of DCEA to provide the management and day to day operations of the facilities. HUD and other funders establish a fee to be paid for this oversight and management responsibility. The Agency has included forty-four groups of financial statements and combined and summarized these statements into Discretely Presented Component Units. This number decreased from previous year due to refinancing and merging certain entities together. DCEA has management agreements with sixty complexes, but only those organizations evaluated as component units are included in the financial statements. For additional financial information on the component units please refer to each component unit's individual audit report.

Presently, DCEA has management agreements with the following complexes:

<u>Project Name</u>	<u>City</u>	<u>County</u>	<u>Number of Units</u>	<u>Owner Corporation</u>
Alpine Village	Johnson City	Washington	39	Crockett Homes
Auburn Hills	Oak Ridge	Anderson	41	Aspen Homes
Autumn Village	Rutledge	Grainger	24	Volunteer Residences-Two, Inc.
Beaver Run	Bristol	Sullivan	20	Holston Homes for the Elderly
Breckenridge	Sevierville	Sevier	11	Volunteer Housing Development
Brookvale Garden	Etowah	McMinn	16	Mountain View Homes for Elderly
Brookwood Terrace	Wartburg	Morgan	24	Volunteer Homes for Elderly
Cambridge Apts	Rutledge	Grainger	11	Cambridge Homes
Cherry Hill Apts	Spring City	Rhea	31	Volunteer Residences One
College Park	Morristown	Hamblen	45	Volunteer Residences-Two, Inc.
Commons for Seniors	Seymour	Sevier	20	Chatham Homes for Elderly
Dogwood Terrace I	Knoxville	Knox	50	Overlook Sr. Citizens Housing - Knox
Dogwood Terrace II	Sweetwater	Monroe	25	Overlook Sr. Citizens Housing - Knox
Dogwood Terrace III	Lenoir City	Loudon	20	Overlook Sr. Citizens Housing - Knox
Douglas Residence	Jefferson City	Jefferson	13	East TN Homes for Elderly
Franklin Place	Elizabethton	Carter	47	Brookhaven Homes
Friendship Manor	Kingsport	Sullivan	38	Appalachian Homes for Elderly
Gateway Village	Sevierville	Sevier	35	Volunteer Housing Development
Greenbriar Village	Rogersville	Hawkins	41	Holston Homes for Elderly
Greenbriar Village Annex	Rogersville	Hawkins	8	Volunteer Housing Management
Heritage Hills	Huntsville	Scott	30	Volunteer Housing Development
Heritage Oaks	Cleveland	Bradley	41	East TN Homes for Elderly
Heritage Oaks Annex	Cleveland	Bradley	11	Colombia Homes for Elderly
Highland Manor	Monterey	Putnam	23	Woodbridge Homes for Elderly
Highland Manor II	Monterey	Putnam	11	Highland Homes for the Elderly, Inc.
Holly Hills	Livingston	Overton	25	Cumberland Homes for Elderly
Holston Hills	Rogersville	Hawkins	38	Waterford Homes for Elderly
KC Home	Morristown	Hamblen	10	Knights of Columbus Management
Lakeway Annex	Bean Station	Grainger	11	Volunteer Housing Development
Lakeway Apts	Bean Station	Grainger	11	Volunteer Housing Development

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

Discretely Presented Component Units and HUD Housing Complexes (Continued)

<u>Project Name</u>	<u>City</u>	<u>County</u>	<u>Number of Units</u>	<u>Owner Corporation</u>
Lakewood Village	Kingston	Roane	43	Volunteer Homes for Elderly
LeConte Terrace	Sevierville	Sevier	36	Stanford Homes for Elderly
Lincoln Park	Morristown	Hamblen	11	Paragon Homes for Elderly
Lincoln Park Annex	Morristown	Hamblen	12	Oxford Homes for Elderly
McElhaney Glen	Seymour	Sevier	11	Volunteer Housing Development
Meadow Creek	Pigeon Forge	Sevier	50	Pine Mountain Housing
Meadowood Park	Erwin	Unicoi	40	Holston Homes for the Elderly
Mill Creek Apt	Rutledge	Grainger	22	Volunteer Housing Development
Mountain Grove	Livingston	Overton	15	Monticello Housing Development
Oak Hills Annex	Sparta	White	19	Horizon Homes for Elderly
Oak Hills Apts	Sparta	White	24	Sierra Homes for Elderly
Old Saybrook	Madisonville	Monroe	48	Volunteer Housing Development
Park Place Apts	Cleveland	Bradley	11	Riverton Homes for Elderly
Park Place Annex	Cleveland	Bradley	20	Portage Homes for Elderly
Pleasant Hill Apts	Sparta	White	14	Aztec Homes for Elderly
Renaissance Square	Seymour	Sevier	50	Trinity Homes for Elderly
Riverpark	Sevierville	Sevier	47	Riverpark Apartments
Riverpark II	Sevierville	Sevier	50	Riverpark Apartments
Roy J. Messer	White Pine	Jefferson	12	Wellington Homes for Elderly
Sequoyah Village	Madisonville	Monroe	40	Volunteer Residences-Two, Inc.
Springbrook	Vonore	Monroe	24	East TN Homes for Elderly
Stanford Place	Cleveland	Bradley	12	Hermitage Homes for Elderly
Victory House	Knoxville	Knox	8	Victory House
Village Green Apts	Huntsville	Scott	8	Summit Homes for Elderly
Walnut Creek	Benton	Polk	24	Landmark Homes for Elderly
Westminster	Oneida	Scott	40	Volunteer Homes for Elderly
Winfield Ridge	Winfield	Scott	11	Volunteer Housing Management
Woodland Park	Sevierville	Sevier	55	Heartland Homes for Elderly
Woodland Place	Johnson City	Washington	30	Phoenix Homes for Elderly
Woodridge Annex	Greeneville	Greene	5	Stockbridge Homes for Elderly
Woodridge Apts	Greeneville	Greene	15	Greystone Homes for Elderly
		Total Units	<u>1,577</u>	

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

Discretely Presented Component Units Net Position

The combined balance sheets of our discretely presented component units are as follows:

	<u>2015</u>	<u>2016</u>
Current Assets	\$ 1,261,561	\$ 1,827,392
Restricted Deposits and Funded Reserves	6,693,091	6,263,031
Capital Assets	44,019,316	45,928,745
Other Non-Current Assets	<u>2,162,749</u>	<u>2,457,267</u>
Total Assets	54,136,717	56,476,435
Current Liabilities	1,688,178	1,685,270
Tenant Security Deposits	333,918	341,294
Long-term Liabilities	<u>66,615,249</u>	<u>69,751,207</u>
Total Liabilities	68,637,345	71,777,771
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(22,990,823)	(24,220,843)
Unrestricted	<u>8,490,195</u>	<u>8,919,507</u>
Total Net Position	<u>\$ (14,500,628)</u>	<u>\$ (15,301,336)</u>

Discretely Presented Component Units Changes in Net Position

Summarized statements of activities for the component units are as follows:

	<u>2015</u>	<u>2016</u>
Revenues		
Rent Revenue less vacancies	\$ 6,492,117	\$ 7,026,736
Financial Revenue	2,815	2,735
Other Revenue	<u>160,997</u>	<u>189,723</u>
Total Revenues	6,655,929	7,219,194
Administrative Expense	1,589,199	1,700,575
Utilities Expense	1,581,969	1,531,567
Operating and Maintenance Expense	1,133,202	1,301,210
Taxes and Insurance Expense	688,604	697,851
Other Expense	2,739	3,007
Resident Activities	405	32
Financial Expenses	814,306	897,772
Amortization	9,085	18,091
Depreciation	<u>1,748,523</u>	<u>1,875,735</u>
Total Expenses	7,568,032	8,025,840
Change in unrestricted net position	(912,103)	(806,646)
Unrestricted Net Assets (Deficit) at Beginning of Year	(12,722,736)	(14,089,124)
Merged Projects	<u>(865,789)</u>	<u>(405,566)</u>
Net Deficit at End of Year	<u>\$ (14,500,628)</u>	<u>\$ (15,301,336)</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis (Continued)

Contacting the Agency's Financial Management

This financial report is designed to provide citizens and interested parties with a general overview of Douglas-Cherokee Economic Authority, Inc.'s financial position, and to demonstrate accountability for the revenues it receives. Questions regarding this report or requests for additional financial information should be addressed to Douglas-Cherokee Economic Authority, Inc., PO Box 1218, Morristown, TN 37816.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Statement of Net Position
June 30, 2016

	<u>Primary Government</u>	<u>Component Units</u>
ASSETS		
Current Assets		
Cash	\$ 4,082,901	\$ 1,428,420
Certificate of deposit	372,354	-
Accounts receivable	16,401	215,713
Due from component units and other receivable	584,820	-
Grants receivable	990,290	-
Prepaid expense	<u>101,152</u>	<u>183,259</u>
Total current assets	<u>6,147,918</u>	<u>1,827,392</u>
Restricted Deposits and Funded Reserves	<u>-</u>	<u>6,263,031</u>
Capital Assets		
Land	183,653	4,088,818
CWIP	282,025	-
Other capital assets, net	<u>4,992,788</u>	<u>41,839,927</u>
Total capital assets	<u>5,458,466</u>	<u>45,928,745</u>
Other Non-Current Assets	<u>698,508</u>	<u>2,457,267</u>
Total Assets	<u>12,304,892</u>	<u>56,476,435</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	<u>1,284,804</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable	281,354	855,257
Accrued payroll and other accruals	627,178	-
Accrued management fees	-	216,083
Notes payable, current portion	18,000	398,381
Accrued interest	-	15,484
Other accrued payables	139,206	184,983
Advances	-	15,082
Accrued leave	<u>264,740</u>	<u>-</u>
Total current liabilities	<u>1,330,478</u>	<u>1,685,270</u>
Tenant Security Deposits	<u>-</u>	<u>341,294</u>
Long-term Liabilities		
Notes payable and advances	<u>10,000</u>	<u>69,751,207</u>
Total liabilities	<u>1,340,478</u>	<u>71,777,771</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	<u>1,308,898</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	5,430,466	(24,220,843)
Restricted	37,834	-
Unrestricted	<u>5,472,020</u>	<u>8,919,507</u>
Total net position	<u>\$ 10,940,320</u>	<u>\$ (15,301,336)</u>

See accompanying notes to the financial statements.

Douglas-Cherokee Economic Authority, Inc.
Statement of Activities
Year Ended June 30, 2016

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Units
	Expenses	Charges for Services and Other	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Total	
<u>Governmental activities</u>						
21 st Century LC	\$ 780,993	\$ -	\$ 780,993	\$ -	\$ -	
LEAP	217,762	-	217,762	-	-	
CSBG	603,856	-	603,856	-	-	
Direct appropriation	22,050	-	22,050	-	-	
LIHEAP	2,707,769	-	2,707,769	-	-	
Commodities	67,854	-	67,854	-	-	
Head Start/Early	8,132,967	-	8,132,967	-	-	
Child & Adult Food	611,522	-	611,522	-	-	
Voluntary Pre K	117,381	-	117,381	-	-	
TN Reconnect	1,745	-	1,745	-	-	
Community Based Abstinence	95,382	-	95,382	-	-	
Teen Pregnancy Prevention	886,562	-	886,562	-	-	
Educational Opportunity Centers	225,940	-	225,940	-	-	
Upward Bound:						
Scott/Morgan	359,578	-	359,578	-	-	
Grainger/Hawkins	274,503	-	274,503	-	-	
Talent Search	318,597	-	318,597	-	-	
Responsible Fatherhood	120,572	-	120,572	-	-	
EFSP	49,935	-	49,935	-	-	
WIOA	136,656	-	136,656	-	-	
Workforce Investment	4,991	-	4,991	-	-	
Aging Programs	697,299	-	697,299	-	-	
General Fund	<u>1,388,045</u>	<u>2,098,338</u>	<u>252,612</u>	<u>962,905</u>	<u>962,905</u>	
Total primary government	<u>\$ 17,821,959</u>	<u>\$ 2,098,338</u>	<u>\$ 16,686,526</u>	<u>\$ 962,905</u>	<u>\$ 962,905</u>	
Component Units						
Housing	<u>\$ 8,025,840</u>	<u>\$ 7,219,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (806,646)</u>
Change in net position				962,905	962,905	(806,646)
Transfer of net position				-	-	(405,566)
Net position - beginning, restated				<u>9,977,415</u>	<u>9,977,415</u>	<u>(14,089,124)</u>
Net position - ending				<u>\$ 10,940,320</u>	<u>\$ 10,940,320</u>	<u>\$ (15,301,336)</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.

Balance Sheet - Governmental Funds

June 30, 2016

	Special Revenue		Totals
	General Fund	Fund	
ASSETS			
Current Assets			
Cash	\$ 4,082,901	\$ -	\$ 4,082,901
Certificate of deposit	372,354	-	372,354
Accounts receivable	16,401	-	16,401
Due from component units and other	584,820	-	584,820
Grants receivable	-	990,290	990,290
Prepays	-	101,152	101,152
Due from grant funds	810,088	-	810,088
Total current assets	<u>5,866,564</u>	<u>1,091,442</u>	<u>6,958,006</u>
Total assets	<u>\$ 5,866,564</u>	<u>\$ 1,091,442</u>	<u>\$ 6,958,006</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 281,354	\$ 281,354
Accrued payroll and other accruals	627,178	-	627,178
Other payable	139,206	-	139,206
Due to general fund	-	810,088	810,088
Accrued leave	264,740	-	264,740
Total liabilities	<u>1,031,124</u>	<u>1,091,442</u>	<u>2,122,566</u>
Fund Balances			
Nonspendable:			
Prepays	101,152	-	101,152
Restricted for:			
Santa Fund	37,834	-	37,834
Assigned to:			
Volunteer Housing	3,437,433	-	3,437,433
Unassigned:	<u>1,259,021</u>	<u>-</u>	<u>1,259,021</u>
Total fund balances	<u>4,835,440</u>	<u>-</u>	<u>4,835,440</u>
Total liabilities and fund balances	<u>\$ 5,866,564</u>	<u>\$ 1,091,442</u>	<u>\$ 6,958,006</u>

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

Total fund balances	\$ 4,835,440
Capital assets and notes payable used in governmental activities are not financial resources and therefore are not reported in the funds.	5,430,466
Net pension asset and applicable deferred outflows of resources and deferred inflows of resources used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>674,414</u>
Net position of governmental activities	<u>\$ 10,940,320</u>

See accompanying notes to the financial statements.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Totals
REVENUES			
Federal financial assistance	\$ -	\$ 16,015,032	\$ 16,015,032
State financial assistance	-	418,882	418,882
Local contributions	252,612	-	252,612
Program income	49,452	-	49,452
Other income	2,048,886	-	2,048,886
Total revenues	2,350,950	16,433,914	18,784,864
EXPENDITURES			
Salaries and wages	1,190,480	7,477,896	8,668,376
Fringe benefits	336,449	2,243,383	2,579,832
Professional services	34,661	84,320	118,981
Supplies	48,353	424,806	473,159
Communications	6,707	187,404	194,111
Postage and shipping	6,403	11,575	17,978
Occupancy	33,866	729,190	763,056
Equipment rental/maintenance	1,157	20,704	21,861
Printing and publications	6,427	82,316	88,743
Travel	21,199	329,045	350,244
Staff development and training	14,426	51,054	65,480
Debt service			
Principal	18,000	-	18,000
Interest	320	-	320
Insurance	31,368	82,499	113,867
Assistance to individuals	34,705	2,880,547	2,915,252
Contracted services	145,288	109,839	255,127
Raw food	68,353	764,703	833,056
Miscellaneous	23,227	86,810	110,037
Capital expenditure	207,803	-	207,803
Indirect costs	138,098	867,823	1,005,921
Total expenditures	2,367,290	16,433,914	18,801,204
Revenues over expenditures	(16,340)	-	(16,340)
Fund balance, beginning of year	4,851,780	-	4,851,780
Fund balance, end of year	<u>\$ 4,835,440</u>	<u>\$ -</u>	<u>\$ 4,835,440</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
June 30, 2016

Net change in fund balances - total governmental funds	\$ (16,340)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report principal payments on long-term debt as expenditures. However in the statement of activities, only the interest component of debt service is included as an expenditure.	18,000
Net change in pension assets and expenditures that are deferred or capitalized for the statement of activities	825,537
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	<u>135,708</u>
Change in net position of governmental activities	<u><u>\$ 962,905</u></u>

Douglas-Cherokee Economic Authority, Inc.
Component Unit Balance Sheets
June 30, 2016

	Appalachian Homes for Elderly, Inc.	Aspen Homes for Elderly, Inc.	Aztex Homes for Elderly, Inc.	Brookhaven Homes for Elderly, Inc.	Cambridge Homes for Elderly, Inc.	Chatham Homes for Elderly, Inc.	Columbia Homes for Elderly, Inc.	Crockett Homes for Elderly, Inc.	Cumberland Homes for Elderly, Inc.	East Tennessee Homes for Elderly	Greystone Homes for Elderly, Inc.	Heartland Homes for Elderly, Inc.	Hermitage Homes for Elderly, Inc.	Holston Homes for Elderly	Horizon Homes for Elderly, Inc.
Current Assets															
Cash	\$ 20,276	\$ 15,458	\$ 3,742	\$ 13,953	\$ 4,699	\$ 17,473	\$ 13,300	\$ 20,020	\$ 9,390	\$ 74,982	\$ 12,472	\$ 11,838	\$ 7,593	\$ 80,559	\$ 35,811
Prepaid expenses	5,238	9,320	842	4,198	1,097	2,210	261	395	2,954	14,034	2,093	2,295	2,989	30,755	4,032
Accounts receivable	2,136	-	-	-	-	-	-	-	882	-	-	-	-	2,796	1,287
Total current assets	27,650	24,778	4,584	18,151	5,796	19,683	13,561	20,415	13,226	89,016	14,565	14,133	10,582	114,110	41,130
Deposits held in trust															
Tenant security deposits	10,467	10,484	3,463	12,624	2,378	5,728	3,029	9,054	5,973	18,787	3,995	15,428	3,129	24,883	4,586
Deposits and reserves															
Mortgage escrow deposits	10,248	6,119	3,735	10,241	213	5,272	3,133	16,422	8,032	23,193	4,758	16,840	53	3,223	5,665
Berkadia escrow deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Replacements reserve-securities	89,208	250,935	48,426	100,239	28,943	117,525	27,467	62,840	69,509	109,207	48,304	173,215	29,115	262,591	76,072
Replacement reserve Berkadia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repair reserve	-	-	-	-	-	-	-	-	-	57,169	-	-	-	19,478	-
Residual receipts reserve	15,698	14,127	2,336	-	6,121	16,990	3,260	96,572	12,760	20,009	3,740	97,497	5,715	9,793	5,874
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	76,607	-	-	-	-	-
Required minimum investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total deposits	125,621	281,665	57,960	123,104	37,655	145,515	36,889	184,888	96,274	304,972	60,797	302,980	38,012	319,968	92,197
Property and equipment															
Land	90,000	117,998	-	85,000	27,448	105,000	37,029	250,100	52,450	247,427	55,500	214,157	56,000	301,097	41,969
Buildings	2,032,989	1,486,063	1,152,709	2,656,349	612,940	1,849,344	572,176	2,277,793	1,318,691	3,571,847	876,873	2,497,636	713,155	4,077,015	1,040,131
Furnishings and equipment	10,609	40,335	1,134	12,703	9,012	11,832	17,266	80,862	9,976	53,388	4,211	12,455	2,291	44,097	39,411
Total property and equipment	2,133,598	1,644,396	1,153,843	2,754,052	649,400	1,966,176	626,471	2,608,755	1,381,117	3,872,662	936,584	2,724,248	771,446	4,422,209	1,121,511
Accumulated depreciation	(780,682)	(857,915)	(183,426)	(1,023,473)	(225,027)	(377,752)	(228,305)	(647,093)	(571,429)	(1,699,196)	(227,474)	(1,299,802)	(196,449)	(2,133,370)	(423,158)
Net property and equipment	1,352,916	786,481	970,417	1,730,579	424,373	1,588,424	398,166	1,961,662	809,688	2,173,466	709,110	1,424,446	574,997	2,288,839	698,353
Other assets	-	-	-	-	-	-	-	-	-	151,316	-	5,990	2,100	146,397	-
Total assets	\$ 1,506,187	\$ 1,092,924	\$ 1,032,961	\$ 1,871,834	\$ 467,824	\$ 1,753,622	\$ 448,616	\$ 2,166,965	\$ 919,188	\$ 2,718,770	\$ 784,472	\$ 1,747,549	\$ 625,691	\$ 2,869,314	\$ 831,680
Current liabilities															
Accounts payable	\$ 8,663	\$ 14,446	\$ 6,027	\$ 26,816	\$ 3,732	\$ 19,891	\$ 7,355	\$ 21,804	\$ 10,308	\$ 20,443	\$ 9,252	\$ 11,120	\$ 5,849	\$ 39,216	\$ 37,819
Accrued management fees	1,773	1,296	123	21,969	552	930	-	301	428	3,176	613	1,931	145	7,398	715
Accrued bookkeeping fees	-	-	-	-	-	-	33	-	-	-	-	-	-	-	57
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	10,961	-
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	49,223	-	-	-	-	-
Accrued property tax	8,610	5,284	2,688	9,496	-	4,626	-	-	4,501	7,037	3,324	10,939	-	18,200	-
Mortgage payable (short term)	-	-	-	-	-	-	-	-	-	48,287	-	-	-	59,367	-
Advances from management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess project fund-residual receipts available for recapture	6,198	3,877	-	-	-	11,989	-	-	6,508	-	-	-	-	-	-
Total current liabilities	25,244	24,903	8,838	58,281	4,284	37,436	7,388	22,105	21,745	128,166	13,189	23,990	5,994	135,142	38,591
Deposits liabilities															
Tenant security deposits	10,467	10,484	3,463	12,624	2,378	5,728	3,029	9,054	5,973	18,748	3,995	15,428	3,129	24,883	4,586
Long term liabilities															
Mortgage payable	-	-	-	-	-	-	-	-	-	3,276,195	-	-	-	3,709,436	-
THDA capital advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HUD capital advance	-	-	-	-	-	-	610,600	2,540,400	-	-	-	-	-	-	-
Capital advance	2,063,300	1,717,900	1,130,800	2,751,200	639,500	1,962,500	-	-	1,338,800	-	934,300	2,556,000	764,500	-	1,050,000
Advances, long-term	-	-	-	18,814	-	-	-	-	-	-	10,833	-	-	-	-
FHLB grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other advances and loans	-	-	-	-	-	-	-	50,000	-	-	-	-	-	-	51,136
Total long term liabilities	2,063,300	1,717,900	1,130,800	2,770,014	639,500	1,962,500	610,600	2,590,400	1,338,800	3,276,195	945,133	2,556,000	764,500	3,709,436	1,101,136
Total liabilities	2,099,011	1,753,287	1,143,101	2,840,919	646,162	2,005,664	621,017	2,621,559	1,366,518	3,423,109	962,317	2,595,418	773,623	3,869,461	1,144,313
Net assets (deficit)	(592,824)	(660,363)	(110,140)	(969,085)	(178,338)	(252,042)	(172,401)	(454,594)	(447,330)	(704,339)	(177,845)	(847,869)	(147,932)	(1,000,147)	(312,633)
Total liabilities and net assets	\$ 1,506,187	\$ 1,092,924	\$ 1,032,961	\$ 1,871,834	\$ 467,824	\$ 1,753,622	\$ 448,616	\$ 2,166,965	\$ 919,188	\$ 2,718,770	\$ 784,472	\$ 1,747,549	\$ 625,691	\$ 2,869,314	\$ 831,680

See accompanying notes to the financial statements.

(continued)

Douglas-Cherokee Economic Authority, Inc.
Component Unit Balance Sheets
June 30, 2016

	Landmark Homes for Elderly, Inc.	Monticello Homes for the Elderly, Inc.	Mountainview Homes for Elderly, Inc.	Overlook Senior Citizen Housing of Knox County, Inc.	Oxford Homes for Elderly, Inc.	Paragon Homes for Elderly, Inc.	Phoenix Homes for Elderly, Inc.	Portage Homes for Elderly, Inc.	Riverton Homes for Elderly, Inc.	Sierra Homes for Elderly, Inc.	Stanford Homes for Elderly, Inc.	Stockbridge Homes for Elderly, Inc.	Summit Homes for Elderly, Inc.	Trinity Homes for the Elderly, Inc.	Volunteer Homes for Elderly, Inc.
Current Assets															
Cash	\$ 12,621	\$ 2,672	\$ 7,391	\$ 68,345	\$ 5,181	\$ 3,310	\$ 13,610	\$ 14,578	\$ 6,453	\$ 5,864	\$ 3,089	\$ 5,111	\$ 2,215	\$ 69,092	\$ 83,005
Prepaid expenses	2,262	2,951	2,152	15,307	672	2,238	3,171	4,062	2,809	1,276	1,790	-	-	6,262	24,393
Accounts receivable	-	-	-	-	625	-	-	-	-	5,732	2,466	-	-	-	-
Total current assets	14,883	5,623	9,543	83,652	6,478	5,548	16,781	18,640	9,262	12,872	7,345	5,111	2,215	75,354	107,398
Deposits held in trust															
Tenant security deposits	5,802	4,280	4,415	22,592	3,086	3,040	7,059	5,355	3,641	5,165	9,973	1,589	1,555	13,409	22,669
Deposits and reserves															
Mortgage escrow deposits	9,508	3,596	6,039	36,011	3,232	794	11,028	5,698	850	5,480	14,694	748	925	10,611	29,863
Berkadia escrow deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Replacements reserve-securities	33,459	246,677	34,033	174,697	32,510	44,548	44,860	116,171	40,483	103,375	194,102	13,491	24,422	71,146	269,252
Replacement reserve Berkadia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repair reserve	-	-	-	494,649	-	-	-	-	-	-	-	-	-	-	-
Residual receipts reserve	-	3,602	-	47,550	33,018	6,043	-	22,995	-	48,843	111,340	193	-	60,668	487
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Required minimum investment	-	-	-	-	-	-	-	9,858	-	-	-	-	-	-	-
Total deposits	48,769	258,155	44,487	775,499	71,846	54,425	62,947	160,077	44,974	162,863	330,109	16,021	26,902	155,834	322,271
Property and equipment															
Land	67,355	50,020	40,000	161,196	25,700	55,995	81,674	17,260	11,369	54,680	175,000	25,000	55,000	302,500	335,765
Buildings	973,769	1,283,359	815,176	2,625,738	611,067	559,542	1,516,067	1,736,742	932,132	1,055,703	2,241,910	534,129	779,933	3,062,969	4,825,073
Furnishings and equipment	23,131	13,997	23,837	244,523	27,435	14,441	11,553	44,289	22,051	16,191	36,507	793	9,890	69,893	322,577
Total property and equipment	1,064,255	1,347,376	879,013	3,031,457	664,202	629,978	1,609,294	1,798,291	965,552	1,126,574	2,453,417	559,922	844,823	3,435,362	5,483,415
Accumulated depreciation	(527,272)	(267,427)	(387,564)	(2,017,083)	(232,309)	(249,221)	(627,036)	(312,362)	(197,833)	(523,191)	(715,409)	(70,569)	(122,520)	(757,415)	(2,541,104)
Net property and equipment	536,983	1,079,949	491,449	1,014,374	431,893	380,757	982,258	1,485,929	767,719	603,383	1,738,008	489,353	722,303	2,677,947	2,942,311
Other assets	-	-	435	1,592,651	-	60	-	5,000	2,600	-	-	-	-	5,500	192,407
Total assets	\$ 600,635	\$ 1,343,727	\$ 545,914	\$ 3,466,176	\$ 510,217	\$ 440,790	\$ 1,061,986	\$ 1,669,646	\$ 824,555	\$ 779,118	\$ 2,075,462	\$ 510,485	\$ 751,420	\$ 2,914,635	\$ 3,564,387
Current liabilities															
Accounts payable	\$ 7,273	\$ 6,068	\$ 11,229	\$ 47,709	\$ 5,352	\$ 5,697	\$ 11,017	\$ 12,241	\$ 6,639	\$ 9,218	\$ 26,772	\$ 3,879	\$ 10,816	\$ 79,276	\$ 62,257
Accrued management fees	531	1,029	24,417	11,911	-	177	1,983	2,376	-	739	4,385	476	3,164	-	3,953
Accrued bookkeeping fees	-	-	1,488	-	-	33	-	60	-	-	324	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued property tax	5,846	2,390	-	1,359	-	-	5,641	-	-	4,167	-	-	-	-	1,239
Mortgage payable (short term)	-	-	-	62,850	-	-	-	-	-	-	-	-	-	-	87,903
Advances from management	6,000	-	7,609	-	-	-	-	-	-	-	-	-	-	-	-
Excess project fund-residual receipts available for recapture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	19,650	9,487	44,743	123,829	5,352	5,907	18,641	14,677	6,639	14,124	31,481	4,355	13,980	79,276	155,352
Deposits liabilities															
Tenant security deposits	5,802	4,280	4,415	22,592	3,086	3,040	7,059	5,355	3,641	5,165	9,973	1,589	1,555	13,409	22,669
Long term liabilities															
Mortgage payable	-	-	-	4,035,741	-	-	-	-	-	-	-	-	-	-	4,563,055
THDA capital advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HUD capital advance	-	-	-	-	655,400	586,600	-	1,804,700	972,200	-	2,591,700	-	-	3,270,300	-
Capital advance	1,062,100	1,494,100	858,500	-	-	-	1,532,200	-	-	1,146,200	-	557,200	811,800	-	-
Advances, long-term	7,443	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FHLB grant	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-
Other advances and loans	-	-	-	-	-	-	-	70,616	-	-	-	-	4,450	-	-
Total long term liabilities	1,069,543	1,494,100	858,500	4,035,741	655,400	586,600	1,532,200	1,875,316	972,200	1,146,200	2,591,700	557,200	816,250	3,370,300	4,563,055
Total liabilities	1,094,995	1,507,867	907,658	4,182,162	663,838	595,547	1,557,900	1,895,348	982,480	1,165,489	2,633,154	563,144	831,785	3,462,985	4,741,076
Net assets (deficit)	(494,360)	(164,140)	(361,744)	(715,986)	(153,621)	(154,757)	(495,914)	(225,702)	(157,925)	(386,371)	(557,692)	(52,659)	(80,365)	(548,350)	(1,176,689)
Total liabilities and net assets	\$ 600,635	\$ 1,343,727	\$ 545,914	\$ 3,466,176	\$ 510,217	\$ 440,790	\$ 1,061,986	\$ 1,669,646	\$ 824,555	\$ 779,118	\$ 2,075,462	\$ 510,485	\$ 751,420	\$ 2,914,635	\$ 3,564,387

See accompanying notes to the financial statements.

(continued)

Douglas-Cherokee Economic Authority, Inc.
Component Unit Balance Sheets
June 30, 2016

	Volunteer Housing Development Corporation	Volunteer Residences Two, Inc.	Volunteer Housing - Gateway Village Apartments	Volunteer Housing - Breckenridge Apartments	Volunteer Housing - Heritage Hills Apartments	Volunteer Housing - Mill Creek Apartments	Volunteer Housing - Old Saybrook Apartments	Volunteer Housing - Lakeway Annex Apartments	Volunteer Residences- One, Inc.	Waterford Homes for Elderly, Inc.	Wellington Homes for Elderly, Inc.	Woodbridge Homes for Elderly, Inc.	Highland Homes for the Elderly, Inc.	McElhany Glen	Total
Current Assets															
Cash	\$ 163,815	\$ 116,951	\$ 80,577	\$ 58,319	\$ 55,115	\$ 16,007	\$ 3,005	\$ 32,836	\$ 2,848	\$ 12,261	\$ 2,989	\$ 9,221	\$ 7,077	\$ 223,296	\$ 1,428,420
Prepaid expenses	-	-	5,373	107	748	2,024	6,860	47	3,110	866	1,708	5,465	2,485	2,408	183,259
Accounts receivable	172,336	-	-	-	6,649	1,769	18,275	760	-	-	-	-	-	-	215,713
Total current assets	<u>336,151</u>	<u>116,951</u>	<u>85,950</u>	<u>58,426</u>	<u>62,512</u>	<u>19,800</u>	<u>28,140</u>	<u>33,643</u>	<u>5,958</u>	<u>13,127</u>	<u>4,697</u>	<u>14,686</u>	<u>9,562</u>	<u>225,704</u>	<u>1,827,392</u>
Deposits held in trust															
Tenant security deposits	-	26,661	5,730	3,349	4,596	3,569	14,330	4,014	8,417	9,222	2,511	5,476	2,777	3,602	341,892
Deposits and reserves															
Mortgage escrow deposits	-	314	6,040	2,802	7,812	3,303	16,144	1,303	9,277	12,087	2,174	4,995	952	1,342	324,769
Berkadia escrow deposits	-	40,757	-	-	-	-	-	-	-	-	-	-	-	-	40,757
Replacements reserve-securities	-	-	191,958	14,823	65,230	118,334	19,154	9,325	87,892	112,803	31,391	31,347	149,187	95	3,768,361
Replacement reserve Berkadia	-	451,578	-	-	-	-	-	-	-	-	-	-	-	-	451,578
Repair reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	571,296
Residual receipts reserve	-	-	24,454	-	-	-	-	-	-	-	-	2,230	-	-	671,915
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,607
Required minimum investment	-	-	-	-	-	-	-	-	-	-	-	-	5,998	-	15,856
Total deposits	<u>-</u>	<u>519,310</u>	<u>228,182</u>	<u>20,974</u>	<u>77,638</u>	<u>125,206</u>	<u>49,628</u>	<u>14,642</u>	<u>105,586</u>	<u>134,112</u>	<u>36,076</u>	<u>44,048</u>	<u>158,914</u>	<u>5,039</u>	<u>6,263,031</u>
Property and equipment															
Land	144,220	207,854	63,117	-	39,300	-	54,150	-	54,300	80,044	22,375	73,500	60,000	150,270	4,088,819
Buildings	482,542	4,714,151	739,554	800,865	1,050,203	853,030	1,542,170	846,133	1,237,823	2,153,779	574,434	1,207,642	1,046,284	1,097,272	68,634,902
Furnishings and equipment	7,818	272,642	205,273	3,464	36,571	25,260	109,306	1,860	47,061	18,710	20,800	9,187	5,000	42,504	2,036,146
Total property and equipment	<u>634,580</u>	<u>5,194,647</u>	<u>1,007,943</u>	<u>804,329</u>	<u>1,126,074</u>	<u>878,290</u>	<u>1,705,626</u>	<u>847,993</u>	<u>1,339,184</u>	<u>2,252,533</u>	<u>617,609</u>	<u>1,290,329</u>	<u>1,111,284</u>	<u>1,290,046</u>	<u>74,759,866</u>
Accumulated depreciation	<u>(165,235)</u>	<u>(2,907,212)</u>	<u>(828,790)</u>	<u>(240,616)</u>	<u>(582,867)</u>	<u>(429,515)</u>	<u>(819,620)</u>	<u>(147,589)</u>	<u>(675,544)</u>	<u>(696,137)</u>	<u>(290,825)</u>	<u>(507,625)</u>	<u>(80,748)</u>	<u>(35,932)</u>	<u>(28,831,121)</u>
Net property and equipment	<u>469,345</u>	<u>2,287,435</u>	<u>179,153</u>	<u>563,713</u>	<u>543,207</u>	<u>448,775</u>	<u>886,006</u>	<u>700,404</u>	<u>663,640</u>	<u>1,556,396</u>	<u>326,784</u>	<u>782,704</u>	<u>1,030,536</u>	<u>1,254,114</u>	<u>45,928,745</u>
Other assets	-	330,733	86	-	1,841	1,951	-	-	-	-	825	-	-	17,375	2,457,267
Total assets	<u>\$ 805,496</u>	<u>\$ 3,254,429</u>	<u>\$ 493,371</u>	<u>\$ 643,113</u>	<u>\$ 685,198</u>	<u>\$ 595,732</u>	<u>\$ 963,774</u>	<u>\$ 748,689</u>	<u>\$ 775,184</u>	<u>\$ 1,703,635</u>	<u>\$ 368,382</u>	<u>\$ 841,438</u>	<u>\$ 1,199,012</u>	<u>\$ 1,502,232</u>	<u>\$ 56,476,435</u>
Current liabilities															
Accounts payable	\$ 874	\$ 121,812	\$ 12,850	\$ 5,733	\$ 4,505	\$ 6,797	\$ 68,454	\$ 5,260	\$ 18,066	\$ 13,464	\$ 4,412	\$ 6,541	\$ 4,769	\$ 33,536	\$ 855,257
Accrued management fees	-	-	103	103	156	-	99,074	396	6,297	1,635	4,508	1,111	519	356	210,749
Accrued bookkeeping fees	-	2,586	-	-	-	-	-	-	465	-	288	-	-	-	5,334
Accrued interest payable	-	-	-	-	1,224	1,283	2,016	-	-	-	-	-	-	-	15,484
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,223
Accrued property tax	-	-	-	-	-	-	-	-	-	6,505	-	5,336	-	-	107,188
Mortgage payable (short term)	-	69,198	-	15,571	11,584	6,778	14,561	8,949	-	-	-	-	-	13,333	398,381
Advances from management	-	-	-	-	-	-	-	-	-	-	1,473	-	-	-	15,082
Excess project fund-residual receipts available for recapture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,572
Total current liabilities	<u>874</u>	<u>193,596</u>	<u>12,953</u>	<u>21,407</u>	<u>17,469</u>	<u>14,858</u>	<u>184,105</u>	<u>14,605</u>	<u>24,828</u>	<u>21,604</u>	<u>10,681</u>	<u>12,988</u>	<u>5,288</u>	<u>47,225</u>	<u>1,685,270</u>
Deposits liabilities															
Tenant security deposits	-	26,646	5,730	3,349	4,596	3,569	13,986	4,014	8,417	9,222	2,511	5,476	2,677	3,502	341,294
Long term liabilities															
Mortgage payable	-	3,995,735	-	128,940	873,925	789,233	1,344,958	138,375	-	-	-	-	-	373,334	23,228,927
THDA capital advance	-	-	-	500,000	-	-	-	500,000	-	-	-	-	-	500,000	1,500,000
HUD capital advance	-	-	-	-	-	-	-	-	1,373,800	-	603,600	-	1,184,900	-	16,194,200
Capital advance	-	-	-	-	-	-	-	-	-	2,191,300	-	1,215,000	-	-	27,777,200
Advances, long-term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,090
FHLB grant	-	-	100,000	-	-	-	-	-	-	-	-	-	-	55,000	255,000
Other advances and loans	-	-	-	-	-	-	-	-	-	54,064	-	-	-	528,524	758,790
Total long term liabilities	<u>-</u>	<u>3,995,735</u>	<u>100,000</u>	<u>628,940</u>	<u>873,925</u>	<u>789,233</u>	<u>1,344,958</u>	<u>638,375</u>	<u>1,373,800</u>	<u>2,245,364</u>	<u>603,600</u>	<u>1,215,000</u>	<u>1,184,900</u>	<u>1,456,858</u>	<u>69,751,207</u>
Total liabilities	<u>874</u>	<u>4,215,977</u>	<u>118,683</u>	<u>653,696</u>	<u>895,990</u>	<u>807,660</u>	<u>1,543,049</u>	<u>656,994</u>	<u>1,407,045</u>	<u>2,276,190</u>	<u>616,792</u>	<u>1,233,464</u>	<u>1,192,865</u>	<u>1,507,585</u>	<u>71,777,771</u>
Net assets (deficit)	<u>804,622</u>	<u>(961,548)</u>	<u>374,688</u>	<u>(10,583)</u>	<u>(210,792)</u>	<u>(211,928)</u>	<u>(579,275)</u>	<u>91,695</u>	<u>(631,861)</u>	<u>(572,555)</u>	<u>(248,410)</u>	<u>(392,026)</u>	<u>6,147</u>	<u>(5,353)</u>	<u>(15,301,336)</u>
Total liabilities and net assets	<u>\$ 805,496</u>	<u>\$ 3,254,429</u>	<u>\$ 493,371</u>	<u>\$ 643,113</u>	<u>\$ 685,198</u>	<u>\$ 595,732</u>	<u>\$ 963,774</u>	<u>\$ 748,689</u>	<u>\$ 775,184</u>	<u>\$ 1,703,635</u>	<u>\$ 368,382</u>	<u>\$ 841,438</u>	<u>\$ 1,199,012</u>	<u>\$ 1,502,232</u>	<u>\$ 56,476,435</u>

See accompanying notes to the financial statements.

(continued)

Douglas-Cherokee Economic Authority, Inc.-
Component Units
Statements of Activities
June 30, 2016

	Appalachian Homes for Elderly, Inc.	Aspen Homes for Elderly, Inc.	Aztex Homes for Elderly, Inc.	Brookhaven Homes for Elderly, Inc.	Cambridge Homes for Elderly, Inc.	Chatham Homes for Elderly, Inc.	Columbia Homes for Elderly, Inc.	Crockett Homes for Elderly, Inc.	Cumberland Homes for Elderly, Inc.	East Tennessee Homes for Elderly	Greystone Homes for Elderly, Inc.	Heartland Homes for Elderly, Inc.	Hermitage Homes for Elderly, Inc.
Revenues													
Rent revenue less vacancies	\$ 152,250	\$ 200,194	\$ 58,571	\$ 191,521	\$ 53,343	\$ 90,323	\$ 57,562	\$ 155,634	\$ 109,065	\$ 514,427	\$ 68,260	\$ 204,788	\$ 56,588
Financial revenue	83	87	34	14	14	318	16	45	72	76	23	133	1
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	2,443	1,917	601	2,887	342	1,257	731	18,382	1,367	24,835	513	2,376	939
Total revenues	<u>154,776</u>	<u>202,198</u>	<u>59,206</u>	<u>194,422</u>	<u>53,699</u>	<u>91,898</u>	<u>58,309</u>	<u>174,061</u>	<u>110,504</u>	<u>539,338</u>	<u>68,796</u>	<u>207,297</u>	<u>57,528</u>
Expenses													
Administrative expense	45,159	53,677	20,610	56,720	14,330	23,241	14,072	43,101	32,128	86,558	19,662	48,675	17,917
Utilities expense	38,643	53,161	18,436	59,275	15,382	30,500	14,898	39,171	23,708	86,230	14,460	57,227	14,074
Operating and maintenance expense	37,322	44,993	8,232	58,224	7,393	22,562	18,777	52,419	25,949	63,883	14,914	47,164	10,519
Taxes and insurance expense	19,601	21,358	8,177	24,371	4,180	10,723	4,836	25,923	16,796	33,680	8,144	26,836	4,710
Other expense	-	-	-	-	-	-	41	1,243	-	-	-	-	-
Resident activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	6,198	3,877	-	-	-	11,989	-	-	6,508	162,029	-	-	-
Amortization	-	-	-	-	-	-	-	-	-	4,383	-	-	-
Depreciation	50,720	37,676	28,992	67,253	16,002	47,334	15,841	56,893	35,475	94,711	22,225	69,537	17,956
Total expenses	<u>197,643</u>	<u>214,742</u>	<u>84,447</u>	<u>265,843</u>	<u>57,287</u>	<u>146,349</u>	<u>68,465</u>	<u>218,750</u>	<u>140,564</u>	<u>531,474</u>	<u>79,405</u>	<u>249,439</u>	<u>65,176</u>
Change in unrestricted net assets	<u>(42,867)</u>	<u>(12,544)</u>	<u>(25,241)</u>	<u>(71,421)</u>	<u>(3,588)</u>	<u>(54,451)</u>	<u>(10,156)</u>	<u>(44,689)</u>	<u>(30,060)</u>	<u>7,864</u>	<u>(10,609)</u>	<u>(42,142)</u>	<u>(7,648)</u>
Unrestricted net assets (deficit) at beginning of year	(549,957)	(647,819)	(84,899)	(897,664)	(174,750)	(197,591)	(162,245)	(409,905)	(417,270)	(712,203)	(167,236)	(805,727)	(140,284)
Unrestricted net assets from merged projects													
Dogwood Terrace II	-	-	-	-	-	-	-	-	-	-	-	-	-
Dogwood Terrace III	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets													
Net assets (deficit) at end of year	<u>\$ (592,824)</u>	<u>\$ (660,363)</u>	<u>\$ (110,140)</u>	<u>\$ (969,085)</u>	<u>\$ (178,338)</u>	<u>\$ (252,042)</u>	<u>\$ (172,401)</u>	<u>\$ (454,594)</u>	<u>\$ (447,330)</u>	<u>\$ (704,339)</u>	<u>\$ (177,845)</u>	<u>\$ (847,869)</u>	<u>\$ (147,932)</u>

Douglas-Cherokee Economic Authority, Inc.-
Component Units
Statements of Activities
June 30, 2016

	Holston Homes for Elderly	Horizon Homes for Elderly, Inc.	Landmark Homes for Elderly, Inc.	Monticello Homes for the Elderly, Inc.	Mountainview Homes for Elderly, Inc.	Overlook Senior Citizen Housing of Knox County, Inc.	Oxford Homes for Elderly, Inc.	Paragon Homes for Elderly, Inc.	Phoenix Homes for Elderly, Inc.	Portage Homes for Elderly, Inc.	Riverton Homes for Elderly, Inc.	Sierra Homes for Elderly, Inc.
Revenues												
Rent revenue less vacancies	\$ 643,322	\$ 76,304	\$ 129,530	\$ 61,194	\$ 97,033	\$ 545,293	\$ 49,609	\$ 53,852	\$ 156,688	\$ 82,001	\$ 57,026	\$ 106,225
Financial revenue	93	65	4	26	19	61	27	24	24	329	4	15
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	21,966	1,028	1,116	841	17,722	2,843	-	1,511	1,235	865	476	1,809
Total revenues	665,381	77,397	130,650	62,061	114,774	548,197	49,636	55,387	157,947	83,195	57,506	108,049
Administrative expense	125,196	34,322	32,222	19,745	35,673	89,063	15,188	17,272	49,228	23,033	18,371	34,159
Utilities expense	105,710	25,510	25,280	16,805	16,900	105,614	11,302	14,357	33,105	17,341	10,974	33,502
Operating and maintenance expense	80,300	14,436	30,741	10,032	54,607	50,499	9,010	7,751	26,135	15,854	15,162	23,385
Taxes and insurance expense	54,269	10,727	17,141	8,951	12,986	31,813	5,382	6,102	20,227	12,507	5,586	13,130
Other expense	-	5	-	-	54	-	45	61	-	-	-	-
Resident activities	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	167,908	-	-	-	-	165,116	-	-	-	-	-	-
Amortization	4,290	-	-	-	-	3,597	-	-	-	-	-	-
Depreciation	92,404	26,494	24,551	33,051	23,853	70,184	18,002	16,142	40,132	43,712	24,760	27,858
Total expenses	630,077	111,494	129,935	88,584	144,073	515,886	58,929	61,685	168,827	112,447	74,853	132,034
Change in unrestricted net assets	35,304	(34,097)	715	(26,523)	(29,299)	32,311	(9,293)	(6,298)	(10,880)	(29,252)	(17,347)	(23,985)
Unrestricted net assets (deficit) at beginning of year	(1,035,451)	(278,536)	(495,075)	(137,617)	(332,445)	(342,731)	(144,328)	(148,459)	(485,034)	(196,450)	(140,578)	(362,386)
Unrestricted net assets from merged projects												
Dogwood Terrace II	-	-	-	-	-	(220,464)	-	-	-	-	-	-
Dogwood Terrace III	-	-	-	-	-	(185,102)	-	-	-	-	-	-
Net assets												
Net assets (deficit) at end of year	\$ (1,000,147)	\$ (312,633)	\$ (494,360)	\$ (164,140)	\$ (361,744)	\$ (715,986)	\$ (153,621)	\$ (154,757)	\$ (495,914)	\$ (225,702)	\$ (157,925)	\$ (386,371)

Douglas-Cherokee Economic Authority, Inc.-
Component Units
Statements of Activities
June 30, 2016

	Stanford Homes for Elderly, Inc.	Stockbridge Homes for Elderly, Inc.	Summit Homes for Elderly, Inc.	Trinity Homes for the Elderly, Inc.	Volunteer Homes for Elderly, Inc.	Volunteer Housing Development Corporation	Volunteer Residence Two, Inc.	Volunteer Housing - Gateway Village Apartments	Volunteer Housing - Breckenridge Apartments	Volunteer Housing - Heritage Hills Apartments	Volunteer Housing - Mill Creek Apartments	Volunteer Housing - Old Saybrook Apartments
Revenues												
Rent revenue less vacancies	\$ 129,252	\$ 24,342	\$ 41,376	\$ 200,724	\$ 713,482	\$ -	\$ 691,798	\$ 195,316	\$ 55,969	\$ 119,140	\$ 114,227	\$ 168,488
Financial revenue	114	108	205	48	88	-	146	103	7	32	58	12
Grant revenue	-	-	-	-	-	17,591	-	-	-	-	-	-
Other revenue	2,035	315	178	2,573	7,487	500	26,016	4,561	118	1,596	1,089	7,821
Total revenues	131,401	24,765	41,759	203,345	721,057	18,091	717,960	199,980	56,094	120,768	115,374	176,321
Expenses												
Administrative expense	44,321	8,745	18,410	53,781	116,757	24,627	123,365	37,862	12,149	28,146	30,445	47,330
Utilities expense	41,102	5,632	9,367	77,971	153,792	-	142,008	16,758	4,179	4,582	26,446	11,359
Operating and maintenance expense	21,361	3,598	6,231	33,735	112,151	1,983	116,032	54,042	7,685	30,176	17,217	49,693
Taxes and insurance expense	20,502	1,893	5,189	22,699	46,881	2,879	47,114	22,231	4,678	12,707	10,828	27,999
Other expense	57	-	-	34	-	-	632	4	-	396	110	29
Resident activities	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	155,954	-	150,330	-	3,107	15,071	15,864	28,797
Amortization	-	-	-	-	5,821	-	-	-	-	-	-	-
Depreciation	61,075	13,428	20,052	80,520	183,226	15,490	129,004	24,861	20,410	33,840	24,025	43,422
Total expenses	188,418	33,296	59,249	268,740	774,582	44,979	708,485	155,758	52,208	124,918	124,935	208,629
Change in unrestricted net assets	(57,017)	(8,531)	(17,490)	(65,395)	(53,525)	(26,888)	9,475	44,222	3,886	(4,150)	(9,561)	(32,308)
Unrestricted net assets (deficit) at beginning of year	(500,675)	(44,128)	(62,875)	(482,955)	(1,123,164)	831,510	(971,023)	330,466	(14,469)	(206,642)	(202,367)	(546,967)
Unrestricted net assets from merged projects												
Dogwood Terrace II	-	-	-	-	-	-	-	-	-	-	-	-
Dogwood Terrace III	-	-	-	-	-	-	-	-	-	-	-	-
Net assets												
Net assets (deficit) at end of year	\$ (557,692)	\$ (52,659)	\$ (80,365)	\$ (548,350)	\$ (1,176,689)	\$ 804,622	\$ (961,548)	\$ 374,688	\$ (10,583)	\$ (210,792)	\$ (211,928)	\$ (579,275)

See accompanying notes to the financial statements.

(continued)

Douglas-Cherokee Economic Authority, Inc.-
Component Units
Statements of Activities
June 30, 2016

	Volunteer Housing - Lakeway Annex Apartments	Volunteer Residences- One, Inc.	Waterford Homes for Elderly, Inc.	Wellington Homes for Elderly, Inc.	Woodbridge Homes for Elderly, Inc.	Highland Homes for the Elderly, Inc.	McElhaney Glen	Total
Revenues								
Rent revenue less vacancies	\$ 50,343	\$ 130,733	\$ 152,461	\$ 62,508	\$ 105,209	\$ 47,938	\$ 52,827	7,026,736
Financial revenue	5	47	12	3	26	114	-	2,735
Grant revenue	-	-	-	-	-	-	-	17,591
Other revenue	-	1,318	2,633	636	1,039	771	1,444	172,132
Total revenues	50,348	132,098	155,106	63,147	106,274	48,823	54,271	7,219,194
Administrative expense	15,686	38,637	53,679	20,286	28,661	16,688	11,678	1,700,575
Utilities expense	674	49,115	47,651	15,446	25,871	13,199	4,850	1,531,567
Operating and maintenance expense	6,093	21,620	25,949	10,549	20,420	7,494	4,918	1,301,210
Taxes and insurance expense	3,823	15,674	19,184	5,258	13,438	4,412	2,306	697,851
Other expense	-	-	-	160	-	-	136	3,007
Resident activities	-	32	-	-	-	-	-	32
Financial expenses	5,024	-	-	-	-	-	-	897,772
Amortization	-	-	-	-	-	-	-	18,091
Depreciation	21,525	36,209	55,519	17,312	31,211	26,916	35,932	1,875,735
Total expenses	52,825	161,287	201,982	69,011	119,601	68,709	59,820	8,025,840
Change in unrestricted net assets	(2,477)	(29,189)	(46,876)	(5,864)	(13,327)	(19,886)	(5,549)	(806,646)
Unrestricted net assets (deficit) at beginning of year	94,172	(602,672)	(525,679)	(242,546)	(378,699)	26,033	196	(14,089,124)
Unrestricted net assets from merged projects								-
Dogwood Terrace II	-	-	-	-	-	-	-	(220,464)
Dogwood Terrace III	-	-	-	-	-	-	-	(185,102)
Net assets								
Net assets (deficit) at end of year	\$ 91,695	\$ (631,861)	\$ (572,555)	\$ (248,410)	\$ (392,026)	\$ 6,147	\$ (5,353)	\$ (15,301,336)

Douglas-Cherokee Economic Authority, Inc.-
Component Unit Statements of Cash Flows
June 30, 2016

	Appalachian Homes for Elderly, Inc.	Aspen Homes for Elderly, Inc.	Aztex Homes for Elderly, Inc.	Brookhaven Homes for Elderly, Inc.	Cambridge Homes for Elderly, Inc.	Chatham Homes for Elderly, Inc.	Columbia Homes for Elderly, Inc.	Crockett Homes for Elderly, Inc.	Cumberland Homes for Elderly, Inc.	East Tennessee Homes for Elderly	Greystone Homes for Elderly, Inc.	Heartland Homes for Elderly, Inc.	Hermitage Homes for Elderly, Inc.	Holston Homes for Elderly	Horizon Homes for Elderly, Inc.	Landmark Homes for Elderly, Inc.
Cash Flows from Operating Activities																
Cash receipts																
Rental receipts	\$ 152,250	\$ 200,194	\$ 58,571	\$ 192,201	\$ 53,343	\$ 90,323	\$ 57,562	\$ 155,422	\$ 108,183	\$ 514,427	\$ 69,994	\$ 204,788	\$ 56,588	\$ 643,322	\$ 84,932	\$ 129,530
Other receipts	2,526	2,004	635	2,901	356	1,575	747	18,427	1,439	4,545	536	2,509	940	22,013	1,093	1,120
	154,776	202,198	59,206	195,102	53,699	91,898	58,309	173,849	109,622	518,972	70,530	207,297	57,528	665,335	86,025	130,650
Cash disbursements																
Administrative	9,629	13,018	6,517	12,331	5,474	7,920	5,136	10,854	9,267	29,574	7,837	12,690	6,562	35,626	15,412	9,577
Management fees	21,780	38,195	6,505	25,986	6,673	10,782	7,806	17,871	14,110	35,627	7,816	25,450	7,802	45,718	14,836	17,817
Utilities	40,645	69,574	18,783	61,102	15,604	29,235	14,247	39,554	23,811	84,401	14,452	57,247	13,819	105,478	25,608	25,342
Salaries and wages	20,660	43,648	9,534	22,629	3,856	9,381	3,158	14,502	15,183	37,232	6,977	15,566	4,208	53,758	12,575	11,174
Operating and maintenance	30,714	36,136	5,969	50,084	6,511	8,834	18,120	51,657	18,289	53,830	16,510	45,444	10,239	58,323	16,719	26,961
Real estate taxes	8,378	3,271	2,552	8,752	-	4,177	-	9,001	4,389	6,249	3,388	10,168	-	8,240	3,121	5,733
Property insurance	7,427	10,005	3,230	5,950	2,644	3,730	2,735	7,154	6,281	15,607	3,608	9,972	2,764	22,072	4,570	6,189
Miscellaneous taxes and other	3,451	9,761	2,256	8,244	1,575	2,537	1,977	9,289	5,887	10,397	1,243	6,135	2,034	15,507	4,269	5,759
Other service expense	-	-	-	-	-	-	61	1,126	-	-	-	-	-	-	100	-
Tenant security deposits	-	-	-	-	-	-	-	-	-	39	-	-	-	-	-	-
Mortgage insurance premium	-	-	-	-	-	-	-	-	-	14,951	-	-	-	26,166	-	-
Service coordinator expense	-	-	-	-	-	-	-	-	-	-	-	-	-	11,672	-	-
Interest on mortgage	-	-	-	-	-	-	-	-	-	133,656	-	-	-	132,621	-	-
	142,684	223,608	55,346	195,078	42,337	76,596	53,240	161,008	97,217	421,563	61,831	182,672	47,428	515,181	97,210	108,552
Net cashflows from operating activities	12,092	(21,410)	3,860	24	11,362	15,302	5,069	12,841	12,405	97,409	8,699	24,625	10,100	150,154	(11,185)	22,098
Cash Flows from Investing Activities																
Net deposits	66,904	32,923	(5,657)	11,528	(11,430)	(6,033)	(420)	(7,015)	31,580	305,982	(2,240)	(29,541)	(3,278)	642,458	49,838	(5,179)
Net purchase of fixed assets	(65,925)	-	-	-	(3,200)	-	-	(3,136)	(45,417)	(1,081,260)	(5,100)	(3,100)	-	(1,070,575)	(5,450)	(9,858)
Construction in progress	-	-	-	-	-	-	-	-	-	733,059	-	-	-	559,739	-	-
Net cashflows from investing activities	979	32,923	(5,657)	11,528	(14,630)	(6,033)	(420)	(10,151)	(13,837)	(42,219)	(7,340)	(32,641)	(3,278)	131,622	44,388	(15,037)
Cash Flows from Financing Activities																
Mortgage principal payments	-	-	-	-	-	-	-	-	-	(46,401)	-	-	-	(57,334)	-	-
Proceeds from new mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage financing costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal payoff of prior mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance from management	-	-	-	-	-	-	-	-	-	-	(10,592)	-	-	-	-	-
Construction costs	-	-	-	-	-	-	-	-	-	-	-	-	-	(161,190)	-	-
Net cashflows from financing activities	-	-	-	-	-	-	-	-	-	(46,401)	(10,592)	-	-	(218,524)	-	-
Net increase (decrease) in cash	13,071	11,513	(1,797)	11,552	(3,268)	9,269	4,649	2,690	(1,432)	8,789	(9,233)	(8,016)	6,822	63,252	33,203	7,061
Cash at the beginning of period	7,205	3,945	5,539	2,401	7,967	8,204	8,651	17,330	10,822	66,193	21,705	19,854	771	17,307	2,608	5,560
Cash at end of period	\$ 20,276	\$ 15,458	\$ 3,742	\$ 13,953	\$ 4,699	\$ 17,473	\$ 13,300	\$ 20,020	\$ 9,390	\$ 74,982	\$ 12,472	\$ 11,838	\$ 7,593	\$ 80,559	\$ 35,811	\$ 12,621
Change in net assets	\$ (42,867)	\$ (12,544)	\$ (25,241)	\$ (71,421)	\$ (3,588)	\$ (54,451)	\$ (10,156)	\$ (44,689)	\$ (30,060)	\$ 7,864	\$ (10,609)	\$ (42,142)	\$ (7,648)	\$ 35,304	\$ (34,097)	\$ 715
Adjustments to reconcile net income (loss) to net cash flows from operating activities:																
Depreciation	50,720	37,676	28,992	67,253	16,002	47,334	15,841	56,893	35,475	94,711	22,225	69,537	17,956	92,404	26,494	24,551
Amortization	-	-	-	-	-	-	-	-	-	4,383	-	-	-	4,290	-	-
Increase or decrease in:																
Accounts receivable	-	-	-	680	-	-	-	-	(882)	-	1,734	-	-	(46)	8,628	-
Cash restricted for tenant security deposit	(341)	159	(336)	(500)	474	400	-	387	(1,196)	9	208	(344)	(593)	-	573	
Accounts payable	(2,171)	(38,471)	(31)	(510)	(1,090)	9,930	2,135	849	1,668	(4,527)	(3,468)	259	(2,324)	(6,899)	(1,796)	
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	(167)	-	
Accrued liabilities/expenses and other	6,410	(7,025)	140	4,022	38	12,489	(2,719)	-	6,204	967	(124)	698	(467)	13,143	(4,793)	
Prepaid rent/expenses	-	(1,046)	-	-	-	-	(32)	(212)	-	14,821	-	-	-	7,550	(518)	
Accrued management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Tenant security deposits	341	(159)	336	500	(474)	(400)	-	-	(387)	1,157	(9)	(208)	344	593	(573)	
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	(20,366)	-	-	-	-	-	
	54,959	(8,866)	29,101	71,445	14,950	69,753	15,225	57,530	42,465	89,545	19,308	66,767	17,748	114,850	22,912	21,383
Net cashflows from operating activities	\$ 12,092	\$ (21,410)	\$ 3,860	\$ 24	\$ 11,362	\$ 15,302	\$ 5,069	\$ 12,841	\$ 12,405	\$ 97,409	\$ 8,699	\$ 24,625	\$ 10,100	\$ 150,154	\$ (11,185)	\$ 22,098
Supplemental Disclosures of Cash Flow Information:																
Fixed assets through accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,295	\$ -
Interest paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

(continued)

Douglas-Cherokee Economic Authority, Inc.-
Component Unit Statements of Cash Flows
June 30, 2016

	Monticello Homes for the Elderly, Inc.	Mountainview Homes for Elderly, Inc.	Overlook Senior Citizen Housing of Knox County, Inc.	Oxford Homes for Elderly, Inc.	Paragon Homes for Elderly, Inc.	Phoenix Homes for Elderly, Inc.	Portage Homes for Elderly, Inc.	Riverton Homes for Elderly, Inc.	Sierra Homes for Elderly, Inc.	Stanford Homes for Elderly, Inc.	Stockbridge Homes for Elderly, Inc.	Summit Homes for Elderly, Inc.	Trinity Homes for the Elderly, Inc.	Volunteer Homes for Elderly, Inc.	Volunteer Housing - Development Corporation	Volunteer Residences Two, Inc.	Volunteer Housing - Gateway Village Apartments	Volunteer Housing - Breckenridge Apartments
Cash Flows from Operating Activities																		
Cash receipts																		
Rental receipts	\$ 61,194	\$ 97,033	\$ 544,666	\$ 49,609	\$ 53,852	\$ 156,688	\$ 85,316	\$ 57,026	\$ 106,225	\$ 130,909	\$ 24,342	\$ 41,376	\$ 200,724	\$ 721,096	\$ 28,362	\$ 691,798	\$ 195,316	\$ 55,969
Other receipts	867	17,741	2,904	27	1,534	1,259	1,194	481	1,824	2,149	423	383	2,621	7,575	-	26,163	4,665	125
	<u>62,061</u>	<u>114,774</u>	<u>547,570</u>	<u>49,636</u>	<u>55,386</u>	<u>157,947</u>	<u>86,510</u>	<u>57,507</u>	<u>108,049</u>	<u>133,058</u>	<u>24,765</u>	<u>41,759</u>	<u>203,345</u>	<u>728,671</u>	<u>28,362</u>	<u>717,961</u>	<u>199,981</u>	<u>56,094</u>
Cash disbursements																		
Administrative	6,917	11,618	25,335	5,315	7,087	9,793	7,310	7,007	3,012	10,984	5,326	7,386	11,548	28,004	23,866	17,257	8,184	2,048
Management fees	7,830	16,437	43,424	6,160	6,658	26,519	9,495	7,216	13,016	16,572	2,493	3,679	22,434	53,870	-	61,168	16,540	4,979
Utilities	17,272	19,414	106,611	11,568	14,903	32,649	16,422	10,888	33,459	41,154	5,919	9,293	77,681	156,213	-	138,977	17,024	4,262
Salaries and wages	9,409	6,728	53,732	3,700	3,589	18,236	6,566	4,762	16,131	17,236	1,754	6,844	20,298	56,383	-	31,569	11,025	2,414
Operating and maintenance	7,925	54,017	44,117	9,935	8,923	23,850	18,860	14,750	24,669	20,306	4,821	4,046	38,065	66,288	1,983	113,269	50,797	7,739
Real estate taxes	2,838	2,688	2,943	-	-	7,185	4,008	-	4,080	7,271	-	-	6,912	1,239	-	-	8,966	-
Property insurance	3,274	4,365	9,410	2,611	2,932	6,571	4,877	2,661	5,389	7,774	1,560	2,113	8,719	26,180	-	24,103	7,213	3,235
Miscellaneous taxes and other	3,674	5,670	17,274	3,028	3,555	7,008	2,844	3,195	3,652	7,567	322	2,516	7,311	20,038	2,879	38,175	6,269	1,332
Other service expense	-	61	-	234	61	-	-	-	-	57	-	-	34	-	-	637	-	-
Tenant security deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage insurance premium	-	-	45,428	-	-	-	-	-	-	-	-	-	-	20,913	-	-	-	-
Service coordinator expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on mortgage	-	-	146,955	-	-	-	-	-	-	-	-	-	-	134,816	-	132,104	-	3,107
	<u>59,139</u>	<u>120,998</u>	<u>495,229</u>	<u>42,551</u>	<u>47,708</u>	<u>131,811</u>	<u>70,382</u>	<u>50,479</u>	<u>103,408</u>	<u>128,921</u>	<u>22,195</u>	<u>35,877</u>	<u>193,002</u>	<u>563,944</u>	<u>28,728</u>	<u>557,259</u>	<u>126,018</u>	<u>29,116</u>
Net cashflows from operating activities	<u>2,922</u>	<u>(6,224)</u>	<u>52,341</u>	<u>7,085</u>	<u>7,678</u>	<u>26,136</u>	<u>16,128</u>	<u>7,028</u>	<u>4,641</u>	<u>4,137</u>	<u>2,570</u>	<u>5,882</u>	<u>10,343</u>	<u>164,727</u>	<u>(366)</u>	<u>160,702</u>	<u>73,963</u>	<u>26,978</u>
Cash Flows from Investing Activities																		
Net deposits	(2,837)	(5,618)	(575,124)	(3,786)	(5,164)	(14,863)	(8,153)	(3,248)	1,087	(237)	(2,261)	(6,253)	59,248	(5,852)	-	(41,250)	(12,945)	(2,541)
Net purchase of fixed assets	-	(1,960)	(6,000)	(5,000)	-	-	(2,500)	(3,231)	(2,795)	(3,300)	-	-	(15,175)	(8,999)	-	-	(20,863)	-
Construction in progress	-	-	(1,428,403)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cashflows from investing activities	<u>(2,837)</u>	<u>(7,578)</u>	<u>(2,009,527)</u>	<u>(8,786)</u>	<u>(5,164)</u>	<u>(14,863)</u>	<u>(10,653)</u>	<u>(6,479)</u>	<u>(1,708)</u>	<u>(3,537)</u>	<u>(2,261)</u>	<u>(6,253)</u>	<u>44,073</u>	<u>(14,851)</u>	<u>-</u>	<u>(41,250)</u>	<u>(33,808)</u>	<u>(2,541)</u>
Cash Flows from Financing Activities																		
Mortgage principal payments	-	-	(57,841)	-	-	-	-	-	-	-	-	-	-	(85,418)	-	(69,198)	-	(15,252)
Proceeds from new mortgage	-	-	4,144,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage financing costs	-	-	(143,472)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal payoff of prior mortgages	-	-	(2,009,933)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance from management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction costs	-	-	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cashflows from financing activities	<u>-</u>	<u>-</u>	<u>1,951,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,418)</u>	<u>-</u>	<u>(69,198)</u>	<u>-</u>	<u>(15,252)</u>
Net increase (decrease) in cash	85	(13,802)	(6,132)	(1,701)	2,514	11,273	5,475	549	2,933	600	309	(371)	54,416	64,458	(366)	50,254	40,155	9,185
Cash at the beginning of period	2,587	21,193	74,477	6,882	796	2,337	9,103	5,904	2,931	2,489	4,802	2,586	14,676	18,547	164,181	66,697	40,422	49,134
Cash at end of period	\$ 2,672	\$ 7,391	\$ 68,345	\$ 5,181	\$ 3,310	\$ 13,610	\$ 14,578	\$ 6,453	\$ 5,864	\$ 3,089	\$ 5,111	\$ 2,215	\$ 69,092	\$ 83,005	\$ 163,815	\$ 116,951	\$ 80,577	\$ 58,319
Change in net assets	\$ (26,523)	\$ (29,299)	\$ 32,311	\$ (9,293)	\$ (6,298)	\$ (10,880)	\$ (29,252)	\$ (17,347)	\$ (23,985)	\$ (57,017)	\$ (8,531)	\$ (17,490)	\$ (65,395)	\$ (53,525)	\$ (26,888)	\$ 9,475	\$ 44,222	\$ 3,887
Adjustments to reconcile net income (loss) to net cash flows from operating activities:																		
Depreciation	33,051	23,853	70,184	18,002	16,142	40,132	43,712	24,760	27,858	61,075	13,428	20,052	80,520	183,226	15,490	129,004	24,861	20,410
Amortization	-	-	3,597	-	-	-	-	-	-	-	-	-	-	5,821	-	-	-	-
Increase or decrease in:																		
Accounts receivable	-	-	-	-	-	-	3,315	-	-	1,925	-	-	-	7,614	10,271	-	-	-
Cash restricted for tenant security deposit	(342)	-	1,365	-	-	(774)	-	-	343	-	(212)	-	-	(1,555)	-	-	-	-
Accounts payable	(2,151)	2,971	(28,186)	(1,250)	(2,101)	(1,865)	(2,088)	(161)	(617)	(1,763)	(2,299)	2,429	(4,128)	26,681	761	19,879	5,415	2,633
Accrued interest payable	-	-	(13,563)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued liabilities/expenses and other	(1,455)	-	(5,538)	(200)	101	(1,251)	(15)	(27)	826	436	(28)	891	(64)	(4,840)	-	2,344	(116)	48
Prepaid rent/expenses	-	(3,749)	(6,464)	(174)	(166)	-	456	(197)	559	(519)	-	-	(590)	(250)	-	-	(419)	-
Accrued management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tenant security deposits	342	-	(1,365)	-	-	774	-	-	(343)	-	212	-	-	1,555	-	-	-	-
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>29,445</u>	<u>23,075</u>	<u>20,030</u>	<u>16,378</u>	<u>13,976</u>	<u>37,016</u>	<u>45,380</u>	<u>24,375</u>	<u>28,626</u>	<u>61,154</u>	<u>11,101</u>	<u>23,372</u>	<u>75,738</u>	<u>218,252</u>	<u>26,522</u>	<u>151,227</u>	<u>29,741</u>	<u>23,091</u>
Net cashflows from operating activities	\$ 2,922	\$ (6,224)	\$ 52,341	\$ 7,085	\$ 7,678	\$ 26,136	\$ 16,128	\$ 7,028	\$ 4,641	\$ 4,137	\$ 2,570	\$ 5,882	\$ 10,343	\$ 164,727	\$ (366)	\$ 160,702	\$ 73,963	\$ 26,978
Supplemental Disclosures of Cash Flow Information:																		
Fixed assets through accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,104	\$ -	\$ 3,107

See accompanying notes to the financial statements.

(continued)

Douglas-Cherokee Economic Authority, Inc.-
Component Unit Statements of Cash Flows
June 30, 2016

	Volunteer Housing - Heritage Hills Apartments	Volunteer Housing - Mill Creek Apartments	Volunteer Housing - Old Saybrook Apartments	Volunteer Housing - Lakeway Annex Apartments	Volunteer Residences- One, Inc.	Waterford Homes for Elderly, Inc.	Wellington Homes for Elderly, Inc.	Woodbridge Homes for Elderly, Inc.	Highland Homes for the Elderly, Inc.	McElhaney Glen	Total
Cash Flows from Operating Activities											
Cash receipts											
Rental receipts	\$ 119,441	\$ 114,650	\$ 162,507	\$ 49,823	\$ 130,273	\$ 152,461	\$ 62,508	\$ 105,209	\$ 47,938	\$ 52,827	\$ 7,070,768
Other receipts	1,627	1,147	7,833	5	1,365	2,645	639	1,065	885	1,444	153,956
	<u>121,068</u>	<u>115,797</u>	<u>170,340</u>	<u>49,828</u>	<u>131,638</u>	<u>155,106</u>	<u>63,147</u>	<u>106,274</u>	<u>48,823</u>	<u>54,271</u>	<u>7,224,724</u>
Cash disbursements											
Administrative	8,015	7,854	7,959	6,582	9,848	17,544	8,945	8,094	7,092	917	478,271
Management fees	15,612	11,663	15,975	4,593	14,434	20,145	11,349	13,250	5,872	4,752	740,909
Utilities	4,514	26,845	10,493	622	50,410	46,688	15,711	25,941	14,507	4,761	1,553,103
Salaries and wages	4,250	10,749	8,617	2,069	11,354	23,846	5,375	11,436	4,089	3,438	639,640
Operating and maintenance	30,920	17,051	45,189	6,316	22,329	28,674	11,044	16,087	6,885	5,023	1,158,218
Real estate taxes	718	-	12,221	-	5,153	5,941	135	4,989	-	-	154,706
Property insurance	7,228	4,617	8,793	2,186	6,864	7,298	3,432	6,040	5,385	3,306	292,074
Miscellaneous taxes and other	4,876	6,188	4,496	1,704	3,805	5,363	2,110	2,088	971	1,452	259,683
Other service expense	436	110	-	-	32	-	159	-	-	136	3,244
Tenant security deposits	-	-	401	-	-	-	-	-	10	65	515
Mortgage insurance premium	-	-	-	-	-	-	-	-	-	-	107,458
Service coordinator expense	-	-	-	-	-	-	-	-	-	-	11,672
Interest on mortgage	15,030	15,808	28,891	5,024	-	-	-	-	-	-	748,012
	<u>91,599</u>	<u>100,885</u>	<u>143,035</u>	<u>29,096</u>	<u>124,229</u>	<u>155,499</u>	<u>58,260</u>	<u>87,925</u>	<u>44,811</u>	<u>23,850</u>	<u>6,147,505</u>
Net cashflows from operating activities	<u>29,469</u>	<u>14,912</u>	<u>27,305</u>	<u>20,732</u>	<u>7,409</u>	<u>(393)</u>	<u>4,887</u>	<u>18,349</u>	<u>4,012</u>	<u>30,421</u>	<u>1,077,219</u>
Cash Flows from Investing Activities											
Net deposits	(11,118)	(8,877)	(49)	1,184	(3,216)	(9,538)	(5,147)	25,861	(93)	(1,437)	428,193
Net purchase of fixed assets	(3,698)	-	(13,225)	-	(6,500)	-	-	(44,730)	-	-	(2,430,997)
Construction in progress	-	-	-	-	-	-	-	-	-	-	(135,605)
Net cashflows from investing activities	<u>(14,816)</u>	<u>(8,877)</u>	<u>(13,274)</u>	<u>1,184</u>	<u>(9,716)</u>	<u>(9,538)</u>	<u>(5,147)</u>	<u>(18,869)</u>	<u>(93)</u>	<u>(1,437)</u>	<u>(2,138,409)</u>
Cash Flows from Financing Activities											
Mortgage principal payments	(10,854)	(6,346)	(13,392)	(8,648)	-	-	-	-	-	(13,333)	(384,017)
Proceeds from new mortgage	-	-	-	-	-	-	-	-	-	-	4,144,300
Mortgage financing costs	-	-	-	-	-	-	-	-	-	-	(143,472)
Principal payoff of prior mortgages	-	-	-	-	-	-	-	-	-	-	(2,009,933)
Advance from management	-	-	-	-	-	-	-	-	-	-	(10,592)
Construction costs	-	-	-	-	-	-	-	-	-	-	(143,190)
Net cashflows from financing activities	<u>(10,854)</u>	<u>(6,346)</u>	<u>(13,392)</u>	<u>(8,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,333)</u>	<u>1,453,096</u>
Net increase (decrease) in cash	3,799	(311)	639	13,268	(2,307)	(9,931)	(260)	(520)	3,919	15,651	391,906
Cash at the beginning of period	<u>51,316</u>	<u>16,318</u>	<u>2,366</u>	<u>19,568</u>	<u>5,155</u>	<u>22,192</u>	<u>3,249</u>	<u>9,741</u>	<u>3,158</u>	<u>207,645</u>	<u>1,036,514</u>
Cash at end of period	\$ 55,115	\$ 16,007	\$ 3,005	\$ 32,836	\$ 2,848	\$ 12,261	\$ 2,989	\$ 9,221	\$ 7,077	\$ 223,296	\$ 1,428,420
Change in net assets	\$ (4,150)	\$ (9,561)	\$ (32,308)	\$ (2,477)	\$ (29,189)	\$ (46,876)	\$ (5,864)	\$ (13,327)	\$ (19,886)	\$ (5,549)	\$ (806,645)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:											
Depreciation	34,084	24,116	43,422	21,525	36,209	55,519	17,312	31,211	26,916	35,932	1,876,070
Amortization	-	-	-	-	-	-	-	-	-	-	18,091
Increase or decrease in:											
Accounts receivable	301	423	(5,981)	-	-	-	-	-	-	-	27,982
Cash restricted for tenant security deposit	-	-	-	-	-	(278)	-	(154)	175	-	(2,532)
Accounts payable	(483)	40	14,998	2,151	(192)	(9,618)	(3,828)	87	(3,516)	2,155	(35,424)
Accrued interest payable	(55)	(35)	(94)	-	-	-	-	-	-	-	(13,914)
Accrued liabilities/expenses and other	-	-	-	53	1,478	582	(2,610)	378	(27)	356	18,933
Prepaid rent/expenses	(154)	-	(259)	(520)	(897)	-	(123)	-	535	(2,408)	5,224
Accrued management fees	(74)	(71)	7,899	-	-	-	-	-	-	-	7,754
Tenant security deposits	-	-	(372)	-	-	278	-	154	(185)	(65)	2,046
Service coordinator prepayment	-	-	-	-	-	-	-	-	-	-	(20,366)
	<u>33,619</u>	<u>24,473</u>	<u>59,613</u>	<u>23,209</u>	<u>36,598</u>	<u>46,483</u>	<u>10,751</u>	<u>31,676</u>	<u>23,898</u>	<u>35,970</u>	<u>1,883,864</u>
Net cashflows from operating activities	\$ 29,469	\$ 14,912	\$ 27,305	\$ 20,732	\$ 7,409	\$ (393)	\$ 4,887	\$ 18,349	\$ 4,012	\$ 30,421	\$ 1,077,219
Supplemental Disclosures of Cash Flow Information:											
Fixed assets through accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,295
Interest paid	\$ 15,030	\$ 15,808	\$ 24,800	\$ 5,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,873

See accompanying notes to the financial statements.

(continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.

Notes to Financial Statements

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - The accompanying financial statements present the activities of Douglas-Cherokee Economic Authority, Inc. (the "Agency").

The Agency has a number of component units, all of which are HUD housing complexes, which are included in these financial statements. Those component units are described in greater detail in note 14 to the financial statements.

Government-Wide And Fund Financial Statements - The government-wide statement of net assets and the statement of activities display information about the Agency. These statements include the financial activities of the overall Agency. Governmental activities generally are financed through grantor contributions and local contributions.

In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred.

Fund Balance Items - The Agency has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Non-spendable items - This category includes items that can not be spent because of their form. Prepaids of \$101,152 were in this category at year end.

Restricted items - This category includes fund balances that are constrained by external parties, constitutional provisions, or enabling legislation. The Santa Fund balance of \$37,834 is included in this category at year end.

Committed items - This category includes fund balances that contain self-imposed constraints of the government from its highest level of decision making authority (e.g., Douglas-Cherokee Economic Authority's Board of Directors). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on funds. There was no balance in this category at year end.

Assigned items - This category includes fund balances that contain self-imposed constraints of the government to be used for a particular purpose from the highest level of decision making authority (e.g. Douglas-Cherokee Economic Authority's Board of Directors). The only assignment was \$3,437,433 for Volunteer Housing.

Unassigned items - Represents the remainder of the Agency's fund balance that is not constrained for any particular purpose.

When both restricted and unrestricted fund balances are available for use, it is the Agency's policy to use restricted fund balance first, then use unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

The government-wide Statement of Activities reports both the gross and net cost of each of the Agency's functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants and contributions. Program revenues are primarily grant revenues and contributions. This government-wide focus is more on the sustainability of the Agency as an entity and the changes in the Agency's net assets resulting from the current year's activities.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Government Fund Financial Statements - Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Under this method, the Agency considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when the fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The major sources of revenue are grants, local contributed cash, contributed services and other revenues as discussed below:

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

Deferred revenue is reported on the combined balance sheet. The Emergency Food and Shelter Agency sends funds in allotments as opposed to the reimbursement method of the majority of the agencies.

Local Contributed Cash - Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred in the case of cost reimbursement grants.

Interest Income - Interest income is recorded as earned since it is measurable and available.

Fund Financial Statements - The financial transactions of the Agency are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures. The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The funds are classified as either general or special revenue in the fund financial statements.

General Fund - The general operating fund accounts for all financial resources that are not required to be accounted for in the special revenue funds.

Special Revenue Fund - The special revenue fund accounts for the proceeds of specific revenue sources, the expenditures for which are legally restricted for purposes specified in grant agreements.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding - The primary funding sources for the Agency are federal and state grants. The grant periods may or may not coincide with the Agency's fiscal year. Grants normally are for a twelve month period; however, they may be awarded for periods shorter or longer than twelve months.

The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency has implemented Governmental Accounting Standards Board Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements.*"

Leave Policies - Employees eligible for leave include (1) full-time employees and (2) part-time employees. Employees accrue annual leave on a prorated basis.

During the first five years of employment, an employee accrues twelve (12) days of vacation leave. During the second five years of employment, an employee accrues eighteen (18) days per year. After ten years and up to 20 years of employment, an employee accrues twenty-one (21) days per year, and after twenty years of employment, twenty-four (24) days per year. Upon termination of employment from the Agency, an employee will be paid for unused vacation leave.

The Agency's sick leave policy permits the accumulation of twelve (12) sick days per year. In a year, a maximum of forty (40) days accumulated leave is available for full-time employees. At the time of retirement from the Agency, all unused accumulated sick time is added to the employee's service time for the purpose of calculating retirement benefits. For part-time employees the number of hours is based on a reduced pro-rated basis. Employees are not paid for unused sick days upon termination of employment.

The liability for accrued leave reported in the government-wide statements consists of unpaid, accumulated annual leave. The liability for accrued leave (\$264,740 at June 30, 2016) for governmental fund types, which represents normal accumulations, is all considered to be current.

Capital Assets, Depreciation and Amortization - The Agency's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Agency generally capitalizes assets with cost of \$5,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 - 50
Improvements, other than buildings	5 - 50
Equipment	3 - 30
Vehicles	3 - 30

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the Agency's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns - The total columns of the financial statements 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.

Tax-Exempt Status - The Agency is qualified as a tax-exempt Agency under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Interfund Transactions - During the course of operations, the Agency may engage in certain transactions between funds. Interfund transactions are generally eliminated in the financial statements, or are reported as transfers in or out of the applicable fund.

Allocation of Indirect Costs - The Agency allocates indirect expenditures primarily comprised of administration of operating functions necessary to support the Agency's many programs. Such expenses include wages and related benefits, office expenses, and other central administrative services.

Concentrations of Credit Risk - Financial instruments that potentially subject the Agency to concentrations of credit risk consists primarily of accounts receivable. Financing sources are primarily grants from federal and state governmental entities. Management does not believe significant credit risk exists at June 30, 2016.

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.

Date of Managements Review - Management has evaluated events and transactions occurring subsequent to the statement of net position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 2 - CASH & INVESTMENTS

Deposits (cash and certificates of deposit) are carried at cost, which approximates fair value. At June 30, 2016, the value of the certificates of deposit was \$372,354 and the bank balances were \$4,635,199

All of the Agency's deposits are covered through FDIC insurance or through their Banks' participation in the Tennessee Bank Collateral Pool.

NOTE 3 - INTERFUND RECEIVABLES/PAYABLE

The following is a summary of inter-fund receivables and payable at June 30, 2016:

	Due from Grant Fund	Due to General Fund
General Fund	\$ 810,888	\$ -
Grant Funds	-	810,888
Total	\$ 810,888	\$ 810,888

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 4 - GRANTS RECEIVABLE

Federal and state administered grant receivables consist of receivables for reimbursement of expenditures under various programs and grants. All amounts are expected to be collected within the next year.

NOTE 5 - CAPITAL ASSETS

The Agency's capital assets activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Construction in progress	\$ 113,340	\$ 168,685	\$ -	\$ 282,025
Land	<u>155,700</u>	<u>27,953</u>	<u>-</u>	<u>183,653</u>
	<u>269,040</u>	<u>196,638</u>	<u>-</u>	<u>465,678</u>
Capital assets being depreciated				
Buildings and improvements	7,219,257	235,222	(102,649)	7,351,830
Other fixed assets	<u>3,141,630</u>	<u>-</u>	<u>(81,891)</u>	<u>3,059,739</u>
Total capital assets being depreciated	<u>10,360,887</u>	<u>235,222</u>	<u>(184,540)</u>	<u>10,411,569</u>
Less accumulated depreciation for				
Buildings and improvements	(2,441,711)	102,649	(180,726)	(2,519,788)
Other fixed assets	<u>(2,865,458)</u>	<u>81,891</u>	<u>(115,426)</u>	<u>(2,898,993)</u>
Total accumulated depreciation	<u>(5,307,169)</u>	<u>184,540</u>	<u>(296,152)</u>	<u>(5,418,781)</u>
Total capital assets being depreciated, net	<u>5,053,718</u>	<u>419,762</u>	<u>(480,692)</u>	<u>4,992,788</u>
Capital assets, net	<u>\$ 5,322,758</u>	<u>\$ 616,400</u>	<u>\$ (480,692)</u>	<u>\$ 5,458,466</u>

NOTE 6- NOTES PAYABLE

The Agency also has an interest free \$100,000 note to the Grainger County Industrial Development Board to construct an industrial building in Grainger County, and an \$80,000 note from Clinch Powell, which bears interest at 2%. Loan payments are due annually, with payment beginning one year after occupancy. The balances of these loans were \$8,000 and \$20,000, respectively, at June 30, 2016.

An analysis of the current year's long-term debt activity is as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Notes payable	<u>\$ 46,000</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 28,000</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 6- NOTES PAYABLE (Continued)

The maturities of notes payable are estimated as follows:

Year ending June 30:

	Principal	Interest
2017	\$ 18,000	\$ 160
2018	10,000	-
Total	\$ 28,000	\$ 160

NOTE 7 - IN-KIND SUPPORT

In-kind support, based on estimated values, is as follows:

Salaries	\$ 1,111,472
Travel	5,908
Food	375,597
Supplies	50,347
Rent	1,145,860
Equipment/Usage	6,850
Miscellaneous	32,238
	\$ 2,728,272

NOTE 8 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Agency carries commercial insurance. There have been no reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9 - LITIGATION

The Agency is party to certain legal proceedings which normally occur in governmental operations. Management does not believe that the litigation will have a material adverse impact on the Agency's financial position.

NOTE 10 - FEDERAL AND STATE GRANTS

In the normal course of operations, Douglas-Cherokee Economic Authority, Inc. receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11- PENSION PLAN

Plan Description

Employees of Douglas-Cherokee Economic Authority (the "Agency") are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 11 - PENSION PLAN (Continued)

Benefits Provided

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	86
Inactive employees entitled to but not yet receiving benefits	469
Active employees	339
	894

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Agency makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution ("ADC") for the Agency was \$674,549 based on a rate of 8.99 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Agency's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Valuation Date - The Agency's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 11 - PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Agency will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 11 - PENSION PLAN (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 7/1/14	\$15,962,638	\$16,700,700	\$ (738,062)
Changes for the year:			
Service Cost	519,119	-	519,119
Interest	1,206,174	-	1,206,174
Differences between expected and actual experience	(136,493)	-	(136,493)
Contributions - employer	-	674,549	(674,549)
Contributions - employee	-	375,125	(375,125)
Net investment income	-	517,945	(517,945)
Benefit payments, including refunds of employee contributions	(798,863)	(798,863)	-
Administrative expense	-	(18,373)	18,373
Net changes	<u>789,937</u>	<u>750,383</u>	<u>39,554</u>
Balance at 6/30/15	<u>\$16,752,575</u>	<u>\$17,451,083</u>	<u>\$ (698,508)</u>

Sensitivity of the net pension liability (asset) changes in the discount rate. The following presents the net position liability (asset) of the Agency calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5) than the current rate:

	1 % Decrease (6.50)	Current Discount Rate (7.50)	1 % Increase (8.50)
Net pension liability (asset)	\$ 1,310,852	\$ (698,508)	\$ (2,376,725)

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

For the year ended June 30, 2016, the Agency recognized negative pension expense of \$136,023.

For the year ended June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 532,081
Net difference between projected and actual earnings of pension plan investments	594,659	776,817
Contributions subsequent to the measurement date of June 30, 2015	<u>690,145</u>	<u>-</u>
Total	<u>\$ 1,284,804</u>	<u>\$ 1,308,898</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 11 - PENSION PLAN (Continued)

The amount show above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30:	
2017	\$ (243,295)
2018	(243,295)
2019	(243,295)
2020	<u>15,646</u>
Total	<u>\$ (714,239)</u>

Payable to the Pension Plan

At June 30, 2016, the Agency reported a payable of \$31,112 for the outstanding amount of contributions to the pension plan at the year ended June 30, 2016.

NOTE 14 - LEASES

The Agency leases various buildings and equipment under operating lease agreements to carry out its activities and to administer its various programs. The Agency paid approximately \$230,000 for these leases during the year ended June 30, 2016. The following is a year-by-year schedule of future minimum lease payments required under the existing and extended operating leases:

Year ended June 30:	
2017	\$ 101,257
2018	45,332
2019	29,406
2020	6,006
Thereafter	<u>5,056</u>
	<u>\$ 187,057</u>

NOTE 15 - COMPONENT UNITS

The Agency’s Board of Directors has sponsored the construction and operation of HUD housing complexes for persons over 60 and/or disabled. After the completion of construction and as a part of the sponsorship agreement, it is the responsibility of the Agency’s Board to organize and appoint the governing boards. The complex boards provide for the oversight and management of each complex. As a part of the management, the complex boards have engaged the services of the Agency to provide the management for the facilities. HUD and other funders establish a fee to be paid for this oversight and management responsibility. The financial statements of these component units are not included with these financial statements. Financial statements for the component units are maintained at the Agency’s main office.

Collectively, these entities had, as of their most recent fiscal year end, \$56.5 million in assets, \$71.8 million in liabilities, (\$15.3 million) in net position, \$7.2 million in revenue, and \$8 million in expenses. The liabilities include approximately \$43.9 million in advances from the U.S. Department of Housing and Urban Development, which are only repayable if the projects do not remain available for very low-income eligible individuals/families as approved by HUD for not less than 40 years.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 15 - COMPONENT UNITS (Continued)

Presently, the Agency has management agreements with the following complexes, including their most recent fiscal year ends, which are evaluated as component units of the Agency:

Entity	Fiscal Year End	Entity	Fiscal Year End
Appalachian Homes for Elderly, Inc.	3/31/16	Phoenix Homes for Elderly, Inc.	6/30/16
Aspen Homes for the Elderly, Inc.	6/30/16	Portage Homes for Elderly, Inc.	9/30/15
Aztex Homes for Elderly, Inc.	9/30/15	Riverton Homes for Elderly, Inc.	3/31/16
Brookhaven Homes for Elderly, Inc.	12/31/15	Sierra Homes for Elderly, Inc.	9/30/15
Cambridge Homes for Elderly, Inc.	12/31/15	Stanford Homes for Elderly, Inc.	9/30/15
Chatham Homes for Elderly, Inc.	3/31/16	Stockbridge Homes for Elderly, Inc.	6/30/16
Colombia Homes for Elderly, Inc.	12/31/15	Summit Homes for Elderly, Inc.	6/30/16
Crocket Homes for the Elderly, Inc.	3/31/16	Trinity Homes for Elderly, Inc.	3/31/16
Cumberland Homes for Elderly, Inc.	6/30/16	Volunteer Homes for Elderly, Inc.	9/30/15
East Tennessee Homes for Elderly, Inc.	12/31/15	Volunteer Housing Development Corporati	3/31/16
Greystone Homes for Elderly, Inc.	3/31/16	VHDC - Gateway Village Apartments	3/31/16
Heartland Homes for Elderly, Inc.	6/30/16	VHDC - Breckenridge Apartments	3/31/16
Hermitage Homes for Elderly, Inc.	9/30/15	VHDC - Heritage Hills Apartments	12/31/15
Highland Homes for the Elderly, Inc.	6/30/16	VHDC-Lakeway Annex	3/31/16
Holston Homes for Elderly, Inc.	6/30/16	VHDC - Mill Creek Apartments	12/31/15
Horizon Homes for Elderly, Inc.	12/31/15	VHDC - Old Saybrook Apartments	12/31/15
Landmark Homes for Elderly, Inc.	9/30/15	VHDC-McElhaney Glen Apartments	3/31/16
Monticello Homes for the Elderly, Inc.	3/31/16	Volunteer Residences-One, Inc.	9/30/15
Mountainview Homes for Elderly, Inc.	6/30/16	Volunteer Residences-Two, Inc.	9/30/15
Overlook Senior Citizens Housing of Knox County	12/31/15	Waterford Homes for Elderly, Inc.	3/31/15
Oxford Homes for Elderly, Inc.	9/30/15	Wellington Homes for Elderly, Inc.	6/30/16
Paragon Homes for Elderly, Inc.	3/31/16	Woodbridge Homes for Elderly, Inc.	12/31/15

Certain of the above entities have year ends that differ from the Primary Government. As such, the amount due from the above entities to Douglas-Cherokee may differ on their financial statements from the amounts reported on the Primary Government's. The total amount receivable from all component units was \$484,663 which is recorded in the financial statements as due from component units and other.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements (Continued)

NOTE 14 - COMPONENT UNITS (Continued)

A reconciliation of amounts due from component units with year ends differing from the Primary Government is shown below:

Entity	Year End	Recorded Receivable	Additional Billed	Receipts/ Adjustments	Primary Government Receivable
Appalachian Homes for Elderly, Inc.	3/31/16	\$ 3,583	\$ 12,038	\$ (11,813)	\$ 3,808
Aztex Homes for Elderly, Inc.	9/30/15	975	11,924	(9,755)	3,144
Brookhaven Homes for Elderly, Inc.	12/31/15	41,770	31,105	(26,522)	46,353
Cambridge Homes for Elderly, Inc.	12/31/15	1,045	6,083	(4,311)	2,817
Chatham Homes for Elderly, Inc.	3/31/16	1,720	5,300	(5,118)	1,902
Columbia Homes for Elderly, Inc.	12/31/15	1,727	7,932	(8,246)	1,413
Crocket Homes for the Elderly, Inc.	3/31/16	4,738	12,832	(13,130)	4,440
East Tennessee Homes for Elderly, Inc.	12/31/15	6,088	36,219	(37,037)	5,270
Greystone Homes for Elderly, Inc.	3/31/16	12,145	4,037	(4,157)	12,025
Hermitage Homes for Elderly, Inc.	9/30/15	708	14,587	(14,305)	990
Horizon Homes for Elderly, Inc.	12/31/15	2,146	10,919	(7,845)	5,220
Landmark Homes for Elderly, Inc.	9/30/15	21,577	22,334	(28,834)	15,077
Monticello Homes for the Elderly, Inc.	3/31/16	2,061	3,964	(4,164)	1,861
Overlook Senior Citizens Housing of Knox	12/31/15	17,623	53,412	(63,003)	8,032
Oxford Homes for Elderly, Inc.	9/30/15	1,287	12,903	(10,277)	3,913
Paragon Homes for Elderly, Inc.	3/31/16	1,414	4,501	(4,363)	1,552
Portage Homes for Elderly, Inc.	9/30/15	2,436	16,995	(16,477)	2,954
Riverton Homes for Elderly, Inc.	3/31/16	1,600	4,953	(5,098)	1,455
Sierra Homes for Elderly, Inc.	9/30/15	2,009	24,039	(23,533)	2,515
Stanford Homes for Elderly, Inc.	9/30/15	18,167	37,914	(45,922)	10,159
Trinity Homes for Elderly, Inc.	3/31/16	5,197	14,594	(14,291)	5,500
Volunteer Homes for Elderly, Inc.	9/30/15	11,322	92,588	(93,186)	10,724
VHDC -Gateway Village Apartments	3/31/16	3,833	9,305	(10,072)	3,066
VHDC -Breckenridge Apartments	3/31/16	937	3,076	(2,945)	1,068
VHDC -Heritage Hills Apartments	12/31/15	2,623	14,556	(14,777)	2,402
VHDC -Mill Creek Apartments	12/31/15	2,731	17,540	(17,635)	2,636
VHDC -Old Saybrook Apartments	12/31/15	99,074	25,795	(15,897)	108,972
VHDC -Lakeway Annex	3/31/16	396	2,617	(3,329)	(316)
Volunteer Residences-One, Inc.	9/30/15	6,762	23,732	(10,577)	19,917
Volunteer Residences-Two, Inc.	9/30/15	11,445	101,568	(101,932)	11,081
Waterford Homes for Elderly, Inc.	3/31/16	4,401	15,834	(15,248)	4,987
McElhaney Glen	3/31/16	356	2,943	(2,610)	689
Woodbridge Homes for Elderly, Inc.	12/31/15	2,171	12,536	(12,502)	2,205
		<u>\$ 296,067</u>	<u>\$ 670,675</u>	<u>\$ (658,911)</u>	<u>\$ 307,831</u>

REQUIRED SUPPLEMENTARY INFORMATION

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (Unaudited)
Year Ended June 30, 2016

Measurement Period Ended	6/30/2014	6/30/2015
Total pension liability		
Service cost	\$ 538,247	\$ 519,119
Interest	1,187,525	1,206,174
Changes of benefit terms	-	-
Differences between expected and actual experience	(634,331)	(136,493)
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(848,438)	(798,863)
Net change in total pension liability (asset)	243,003	789,937
Total pension liability (asset) - beginning	15,719,635	15,962,638
Total pension liability (asset) - ending (a)	\$ 15,962,638	\$ 16,752,575
Plan fiduciary net position		
Contributions - employer	\$ 651,554	\$ 674,549
Contributions - employee	368,114	375,125
Net investment income	2,364,015	517,945
Benefit payments, including refunds of employee contributions	(848,438)	(798,863)
Administrative expense	(13,063)	(18,373)
Other	-	-
Net change in plan fiduciary net position	2,522,182	750,383
Plan fiduciary net position - beginning	14,178,518	16,700,700
Plan fiduciary net position - ending (b)	\$ 16,700,700	\$ 17,451,083
Net pension liability (asset) - ending (a) - (b)	\$ (738,062)	\$ (698,508)
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.62%	104.17%
Covered - employee payroll	\$ 7,362,185	\$ 7,503,325
Net pension liability (asset) as a percentage of covered employee payroll	-10.03%	-9.31%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Contributions (Unaudited)
Year Ended June 30, 2016

Measurement period ended June 30,	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 651,554	\$ 674,549	\$ 690,145
Contributions in relation to the actuarially determined contribution	<u>651,554</u>	<u>674,549</u>	<u>690,145</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,362,185	\$ 7,503,325	\$ 7,676,808
Contributions as a percentage of covered employee payroll	8.85%	8.99%	8.99%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen initial liability
Amortization method:	Level dollar, closed (not to exceed 20 years)
Remaining amortization period:	3 years
Asset valuation method:	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases:	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return:	7.5 percent, net of investment expense, including inflation
Retirement age:	Pattern of retirement determined by experience study
Mortality:	Customized table based on actual experience including an adjustment for some anticipated improvement

SUPPLEMENTARY INFORMATION

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant Number	Due to (from) Grantor at 7/1/2015	Cash Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2016	Expenditures to Subrecipients
United States Department of Education							
Educational Opportunity Centers Program	84.066A	P066A110068-15	\$ (11,198)	\$ 60,069	\$ (48,871)	\$ -	\$ -
Trio-Upwardbound M/S	84.047A	P047A080241-15	(32,707)	110,047	(77,340)	-	-
Trio-Upwardbound G/H	84.047A	P047A120296-15	(30,949)	98,194	(67,245)	-	-
Trio-Talent Search	84.044A	P044A110306-15	(16,292)	96,396	(80,104)	-	-
Educational Opportunity Centers Program	84.066A	P066A110068-16	-	167,619	(177,069)	(9,450)	-
Trio-Upwardbound M/S	84.047A	P047A130304-16	-	242,732	(281,769)	(39,037)	-
Trio-Upwardbound G/H	84.047A	P047A120296-16	-	170,076	(206,685)	(36,609)	-
Trio-Talent Search	84.044A	P044A110306-16	-	226,958	(238,493)	(11,535)	-
			<u>(91,146)</u>	<u>1,172,091</u>	<u>(1,177,576)</u>	<u>(96,631)</u>	<u>-</u>
United States Department of Education Grants Through Tennessee Department of Education							
21st Century Learning Center HAM	84.287C	33109-00415	(25,828)	25,828	-	-	-
21st Century Learning Center HAM	84.287C	33109-00415	-	184,548	(221,807)	(37,259)	-
21st Century Learning Center GUS	84.287C	33109-00415	(43,234)	43,234	-	-	-
21st Century Learning Center GUS	84.287C	33109-05015	-	263,927	(309,488)	(45,561)	-
21st Century Learning Center HUG	84.287C	33109-05015	(49,162)	49,162	-	-	-
21st Century Learning Center HUG	84.287C	33109-05015	-	200,451	(249,698)	(49,247)	-
			<u>(118,224)</u>	<u>767,150</u>	<u>(780,993)</u>	<u>(132,067)</u>	<u>-</u>
United States Department of Health and Human Services							
PA-22 FYPD -PA-20 T&TA/CDA	93.600	04CH 3009/47	(191,342)	191,342	-	-	-
PA-22 FYPD -PA-20 T&TA/CDA	93.600	O4-CH999-01-00	-	7,959,355	(8,132,967)	(173,612)	-
Community Based Abstinence	93.235	GR-15-42289-00	(10,097)	32,001	(21,904)	-	-
Community Based Abstinence	93.235	GR-16-47853-00	-	65,767	(73,478)	(7,711)	-
Teen Pregnancy Prevention	93.297	TP1AH 000099-01-00	(25,050)	151,033	(125,983)	-	-
Teen Pregnancy Prevention	93.297	TP1AH 000099-02-00	-	678,675	(760,579)	(81,904)	-
Responsible Fatherhood	93.086	90FK0004-04	(16,171)	136,743	(120,572)	-	-
Adult Education	84.002A	33079-35714 DG36086	(23,860)	23,860	-	-	-
Adult Education EL/Civics	84.002A	33709-24927 DG 36092	(1,775)	1,775	-	-	-
Adult Education Critical Needs	84.002A	LWN02F121AESD13	(102)	102	-	-	-
			<u>(268,397)</u>	<u>9,240,653</u>	<u>(9,235,483)</u>	<u>(263,227)</u>	<u>-</u>

See independent auditors' report.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant Number	Due to (from) Grantor at 7/1/2015	Cash Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2016	Expenditures to Subrecipients
United States Department of Health and Human Services							
Grants Through Tennessee Department of Human Services							
Community Services Block Grant	93.569	Z-15-49107	\$ (173,077)	\$ 173,077	\$ -	\$ -	\$ -
Community Services Block Grant	93.569	Z-16-49107	-	463,259	(603,856)	(140,597)	-
			<u>(173,077)</u>	<u>636,336</u>	<u>(603,856)</u>	<u>(140,597)</u>	<u>-</u>
United States Department of Health and Human Services							
Grants Through Tennessee Housing Development Agency							
Low-Income Home Energy Assistance	93.568	LIHEAP-15-06	(207,616)	834,647	(627,031)	-	-
Low-Income Home Energy Assistance	93.568	LIHEAP-16-06	-	1,902,148	(2,080,738)	(178,590)	-
			<u>(207,616)</u>	<u>2,736,795</u>	<u>(2,707,769)</u>	<u>(178,590)</u>	<u>-</u>
United States Department of Health and Human Services							
Grants Through Tennessee/ETHRA							
Aging Title III-B-Transportation	93.045	NA	(3,850)	3,850	-	-	-
Aging Title III-B-Transportation	93.045	NA	-	9,350	(12,200)	(2,850)	-
Aging Title III-B - Medicaid Waiver	93.044	NA	(4,539)	4,359	-	-	-
Aging Title III-C - Nutrition	93.045	NA	(77,570)	77,570	-	-	-
Aging Title III-C-NSIP-Nutrition	93.053	NA	(24,616)	24,616	-	-	-
Aging Title III-C - NSIP - Nutrition	93.053	NA	-	80,652	(87,982)	(7,330)	-
Aging Title III-C - Nutrition	93.045	NA	-	449,169	(484,699)	(35,530)	-
Aging Title III-B - Medicaid Waiver	93.044	NA	-	48,205	(52,474)	(4,269)	-
			<u>(110,575)</u>	<u>697,771</u>	<u>(637,355)</u>	<u>(49,979)</u>	<u>-</u>
United States Department of Homeland Security							
Emergency Food and Shelter Program	97.024						
Cocke County		32-764400-001	15,085	-	(15,085)	-	-
Jefferson County		32-770800-001	(272)	13,639	(13,367)	-	-
Monroe County		32-774600-001	12,202	6,334	(18,536)	-	-
Sevier County		30-778000-001	-	2,947	(2,947)	-	-
			<u>27,015</u>	<u>22,920</u>	<u>(49,935)</u>	<u>-</u>	<u>-</u>

See independent auditors' report.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant Number	Due to (from) Grantor at 7/1/2015	Cash Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2016	Expenditures to Subrecipients
Grants Through Tennessee Department of Agriculture And Tennessee Department of Human Services							
Emergency Food Assistance Program	10.568	Z-12-000206	\$ -	\$ 29,354	\$ (29,354)	\$ -	\$ -
Emergency Food Assistance Program	10.568	Z-13-000206	-	38,500	(38,500)	-	-
Child and Adult Care Food Program	10.558	03-47-53308-00-5	(8,252)	8,252	-	-	-
Child and Adult Care Food Program	10.558	03-47-53308-00-6	-	603,217	(611,522)	(8,305)	-
Upward Bound Child Care Food Program	10.558	NA	-	1,042	(1,042)	-	-
Upward Bound Child Care Food Program	10.558	NA	(11,806)	11,806	-	-	-
			<u>(20,058)</u>	<u>692,171</u>	<u>(680,418)</u>	<u>(8,305)</u>	<u>-</u>
United States Department of Labor Grant Through Walters State Community College							
Workforce Investment Act	17.259	332-96-14-809P	(8,175)	8,175	-	-	-
Workforce Investment Act	17.259	332-96-15-802P	-	4,991	(4,991)	-	-
Workforce Innovation Opportunity Act	17.283	332-96-16-812P	-	63,570	(136,656)	(73,086)	-
			<u>(8,175)</u>	<u>76,736</u>	<u>(141,647)</u>	<u>(73,086)</u>	<u>-</u>
Total Grants from Federal Allocation - Primary Government			<u>\$ (970,253)</u>	<u>\$ 16,042,623</u>	<u>\$(16,015,032)</u>	<u>\$ (942,482)</u>	<u>\$ -</u>
Total Federal Expenditures:							
Federal Expenditures - Component Units (see next schedule)			\$ 66,715,949				
Total Federal Expenditures - Primary Government			<u>16,015,032</u>				
Total Federal Expenditures			<u>\$ 82,730,981</u>				

See independent auditors' report.

Douglas Cherokee Economic Authority, Inc.
Schedule of Expenditures of Federal Awards - Component Units
June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development			
Volunteer Residences-One, Inc. - Cherry Hill Apartments			
HUD Capital Advance	14.157	\$ 1,373,800	\$ -
Project Rental Assistance Contract	14.157	39,494	-
Stanford Homes for Elderly, Inc. - LeConte Terrace Apts			
HUD Capital Advance	14.157	2,591,700	-
PRAC Payments	14.157	16,633	-
Oxford Homes for Elderly, Inc. - Lincoln Park Annex Apts			
HUD Capital Advance	14.157	655,400	-
PRAC Payments	14.157	14,264	-
Riverton Homes for Elderly, Inc. - Park Place Apartments			
HUD Capital Advance	14.157	972,200	-
Project Rental Assistance Contract	14.157	18,456	-
Aztex Homes for Elderly, Inc. - Pleasant Hill Apartments			
HUD Capital Advance	14.157	1,130,800	-
Section 202 Project Rental Assistance	14.157	12,911	-
Hermitage Homes for Elderly, Inc. - Stanford Place Apts			
HUD Capital Advance	14.157	764,500	-
Section 202 Project Rental Assistance	14.157	17,302	-
Landmark Homes for Elderly, Inc. - Walnut Creek Apts			
HUD Capital Advance	14.157	1,062,100	-
Section 202 Project Rental Assistance	14.157	57,315	-
Volunteer Homes for Elderly - Westminster/Lakewood/Brookwood			
Section 202 HUD Insured Loan	14.157	4,650,958	-
Section 8 Housing Assistance Payments	14.195	431,848	-
Sierra Homes for Elderly, Inc. - Oak Hills Apartments			
HUD Capital Advance	14.157	1,146,200	-
Section 202 Project Rental Assistance	14.157	31,683	-
Overlook Senior Citizens Housing of Knox Co			
Section 202 HUD Insured Loan	14.157	4,098,591	-
Section 8 Housing Assistance Payments	14.195	313,168	-
Brookhaven Homes for Elderly, Inc. - Franklin Place Apartments			
HUD Capital Advance	14.157	2,751,200	-
Section 202 Project Rental Assistance	14.157	37,038	-
East Tennessee Homes for Elderly - Heritage Oaks Apartments			
Section 202 Direct Loan for Housing of Elderly	14.157	\$ 3,324,482	-
Section 8 Housing Assistance Payments	14.195	287,522	-
Woodbridge Homes for Elderly, Inc. - Highland Manor Apts			
HUD Capital Advance	14.157	1,215,000	-
Section 202 Project Rental Assistance	14.157	34,527	-

Douglas Cherokee Economic Authority, Inc.
Schedule of Expenditures of Federal Awards - Component Units
June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Expenditures	Expenditures to Subrecipients
Horizon Homes for Elderly, Inc. - Oak Hills Annex Apartments			
HUD Capital Advance	14.157	\$ 1,050,000	\$ -
Section 202 Project Rental Assistance	14.157	15,544	-
Crockett Homes for Elderly, Inc. - Alpine Village Apartments			
HUD Capital Advance	14.157	2,540,400	-
Section 202 Project Rental Assistance	14.157	21,783	-
Appalachian Homes for Elderly, Inc. - Friendship Manor Apts			
HUD Capital Advance	14.157	2,063,300	-
Section 202 Project Rental Assistance	14.157	24,406	-
Waterford Homes for Elderly, Inc. - Holston Hills Apartments			
HUD Capital Advance	14.157	2,191,300	-
Section 202 Project Rental Assistance	14.157	40,084	-
Monticello Homes for Elderly, Inc. - Mountain Grove Apts			
HUD Capital Advance	14.157	1,494,100	-
Section 202 Project Rental Assistance	14.157	20,114	-
Trinity Homes for Elderly, Inc. - Renaissance Square Apartments			
HUD Capital Advance	14.157	3,270,300	-
PRAC	14.157	49,572	-
Chatham Homes for Elderly, Inc. - The Commons for Seniors			
HUD Capital Advance	14.157	1,962,500	-
Section 202 Project Rental Assistance	14.157	14,823	-
Greystone Homes for Elderly, Inc. - Woodridge Apartments			
HUD Capital Advance	14.157	934,300	-
Section 202 Project Rental Assistance	14.157	20,586	-
Aspen Homes for Elderly, Inc. - Auburn Hills Apartments			
HUD Capital Advance	14.157	1,717,900	-
Section 202 Project Rental Assistance	14.157	78,079	-
Mountainview Homes for Elderly, Inc. - Brookvale Garden Apts			
HUD Capital Advance	14.157	858,500	-
Section 202 Project Rental Assistance	14.157	49,649	-
Heartland Homes for Elderly, Inc. - Woodland Park Apartments			
HUD Capital Advance	14.157	2,556,000	-
Section 202 Project Rental Assistance	14.157	37,777	-
Holston Homes for Elderly - Greenbriar Village Apartments			
Section 202 HUD Insured Loan	14.157	3,768,803	-
Section 8 Housing Assistance Payments	14.195	336,641	-
Multi-Family Service Coordinator Grant	14.191	11,718	-
Highland Homes for the Elderly			
HUD Capital Advance	14.157	1,184,900	-
Section 202 Project Rental Assistance	14.157	14,841	-

Douglas Cherokee Economic Authority, Inc.
Schedule of Expenditures of Federal Awards - Component Units
June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Expenditures	Expenditures to Subrecipients
Cumberland Homes for Elderly, Inc. - Holly Hills Apartments			
HUD Capital Advance	14.157	1,338,800	-
Section 202 Project Rental Assistance	14.157	40,611	-
Summit Homes for Elderly, Inc. - Village Green Apartments			
HUD Capital Advance	14.157	\$ 811,800	\$ -
Section 202 Project Rental Assistance	14.157	12,078	-
Phoenix Homes for Elderly, Inc. - Woodland Place Apartments			
HUD Capital Advance	14.157	1,532,200	-
Section 202 Project Rental Assistance	14.157	68,064	-
Volunteer Housing Development Corp - Heritage Hills Apts			
Rural Rental Assistance Payments	10.427	104,754	-
Rural Rental Housing Loans	10.415	885,509	-
Volunteer Housing Development Corp - Mill Creek Apts			
Rural Rental Assistance Payments	10.427	44,971	-
Rural Rental Housing Loans	10.415	796,011	-
Volunteer Housing Development Corp -Old Saybrook Apts			
Rural Rental Assistance Payments	10.427	6,812	-
Rural Rental Housing Loans	10.415	1,359,519	-
Portage Homes for Elderly, Inc. - Park Place Annex Apartments			
HUD Capital Advance	14.157	1,875,316	-
PRAC	14.157	21,283	-
Volunteer Residences-Two, Inc. /Autumn/College Park/Sequoyah			
Section 8 Housing Assistance Payments	14.195	376,276	-
Section 223(F) HUD Insured Loan	14.155	4,064,933	-
Total U.S. Department of Housing and Urban Development		<u>\$ 66,715,949</u>	<u>\$ -</u>

Douglas-Cherokee Economic Authority, Inc.
Schedule of Other Grant Revenues
June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Grant Number	Due to (from) Grantor at 7/1/2015	Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2016
Tennessee Department of Education					
Voluntary Pre-K	NA	\$ -	\$ 117,381	\$ (117,381)	\$ -
LEAP - After School	33109-06015	(42,292)	42,292	-	-
LEAP - After School	33109-06015	-	179,065	(217,762)	(38,697)
Adult Education	33079-35714 DG36086	(7,953)	7,953	-	-
Adult Education/EL Civics	33709-24927 DG 36092	(592)	592	-	-
Adult Education Critical Needs	LWN02F121AESD13	(34)	34	-	-
Tennessee Reconnect	33201-02017	-	-	(1,745)	(1,745)
		<u>(50,871)</u>	<u>347,317</u>	<u>(336,888)</u>	<u>(40,442)</u>
Tennessee Department of Human Services					
Direct Appropriation		-	22,050	(22,050)	-
Tennessee Commission on Aging Grant Through East Tennessee Human Resource Agency					
Nutrition		(9,872)	9,872	-	-
Options		(1,442)	1,442	-	-
Nutrition		-	27,734	(30,253)	(2,519)
Options		-	26,096	(29,691)	(3,595)
		<u>(11,314)</u>	<u>65,144</u>	<u>(59,944)</u>	<u>(6,114)</u>
Total Grants from State Allocation		<u>\$ (62,185)</u>	<u>\$ 434,511</u>	<u>\$ (418,882)</u>	<u>\$ (46,556)</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Note to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state award activity of Douglas-Cherokee Economic Authority, Inc. under programs of the federal government for the year ended June 30, 2016. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selection portion of the operations of Douglas-Cherokee Economic Authority, Inc., they are not intended to and do not present the financial position, change in net position, or cash flows of Douglas-Cherokee Economic Authority, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the 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 to reimbursement. Douglas-Cherokee Economic Authority, Inc. uses an 11.60% indirect cost rate approved by the Department of Health and Human Services.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Agency Administrative Expenditures
Year Ended June 30, 2016

Salaries and wages	\$ 622,576
Benefits	159,013
Insurance	65,167
Occupancy	51,624
Supplies	25,576
Travel	17,056
Training, seminars, and meetings	13,117
Communications	13,088
Miscellaneous	12,042
Printing, duplication, & publications	8,372
Postage & shipping	7,656
Equipment maintenance & rental	5,768
Professional fees	<u>4,866</u>
 Total Agency Administrative Expenses	 <u>\$ 1,005,921</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2016

	21st Century Learning Center/GC	State Appropriation	LEAP - I After School	Tennessee Reconnect	Community Services Block Grant	Low-Income Home Energy Assistance	Commodities	Head Start	Early Head Start	Head Start Training and Technical Assistance
REVENUE										
Federal assistance	\$ 780,993	\$ -	\$ -	\$ -	\$ 603,856	\$ 2,707,769	\$ 67,854	\$ 6,985,404	\$ 1,040,396	\$ 81,491
State assistance	-	22,050	217,762	1,745	-	-	-	-	-	-
Total Revenue	\$ 780,993	\$ 22,050	\$ 217,762	\$ 1,745	\$ 603,856	\$ 2,707,769	\$ 67,854	\$ 6,985,404	\$ 1,040,396	\$ 81,491
EXPENDITURES										
Salaries and wages	546,277	1,723	159,420	-	225,378	262,069	4,146	3,838,836	655,574	-
Fringe benefits	90,160	200	31,710	-	75,326	70,658	1,483	1,289,356	169,997	-
Professional services	1,771	-	528	-	1,516	4,253	-	15,482	2,164	7,040
Supplies	15,659	1,930	3,950	-	16,089	9,306	712	235,587	49,174	-
Communications	4,327	58	583	-	12,461	13,736	142	126,140	8,554	-
Postage and shipping	8	-	-	-	296	5,738	-	3,407	249	-
Occupancy	4,881	39	999	-	57,578	21,760	58,567	509,884	38,549	-
Equipment rental/maintenance	156	-	44	-	1,041	670	-	14,633	1,096	-
Printing and publications	4,244	342	90	-	6,421	9,849	1,010	30,252	4,054	-
Travel	5,978	10	1,118	1,661	12,983	3,747	211	152,096	2,245	24,272
Staff development/training/seminars	1,196	140	68	84	1,398	1,353	1,102	9,858	722	11,575
Insurance	258	-	74	-	685	-	-	72,304	5,062	-
Assistance to individuals	36,334	198	286	-	166,473	2,273,926	-	10,823	1,033	-
Contracted services	3,210	17,210	-	-	-	-	-	68,138	1,591	-
Raw food	-	-	-	-	-	-	-	128,956	23,617	-
Miscellaneous	2,794	-	399	-	67	304	-	12,738	668	38,604
Indirect costs	63,740	200	18,493	-	26,144	30,400	481	466,914	76,047	-
Total expenditures	\$ 780,993	\$ 22,050	\$ 217,762	\$ 1,745	\$ 603,856	\$ 2,707,769	\$ 67,854	\$ 6,985,404	\$ 1,040,396	\$ 81,491

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2016

	Early Head Start Training and Technical Assistance	Child & Adult Care Food Program	Voluntary Pre- K	Community Based Abstinence	Teen Pregnancy Prevention	Educational Opportunity Center	Upward Bound Scott/Morgan	Upward Bound Grainger/ Hawkins	Talent Search	Responsible Fatherhood	EFSP
REVENUE											
Federal assistance	\$ 25,676	\$ 611,522	\$ -	\$ 95,382	\$ 886,562	\$ 225,940	\$ 359,578	\$ 274,503	\$ 318,597	\$ 120,572	\$ 49,935
State assistance	-	-	117,381	-	-	-	-	-	-	-	-
Total Revenue	\$ 25,676	\$ 611,522	\$ 117,381	\$ 95,382	\$ 886,562	\$ 225,940	\$ 359,578	\$ 274,503	\$ 318,597	\$ 120,572	\$ 49,935
EXPENDITURES											
Salaries and wages	-	186,286	81,358	58,730	518,126	129,942	156,826	110,072	166,059	74,592	-
Fringe benefits	-	61,017	26,585	24,379	144,316	35,050	41,321	25,041	51,649	23,539	-
Professional services	-	-	-	-	47,005	467	719	533	715	-	-
Supplies	-	-	-	2,344	42,213	6,515	7,435	5,957	10,756	221	-
Communications	-	-	-	855	5,059	2,391	1,419	1,223	3,811	1,098	-
Postage and shipping	-	-	-	47	153	861	210	144	204	34	-
Occupancy	-	-	-	849	12,605	784	447	447	693	411	-
Equipment rental/maintenance	-	-	-	-	458	350	12	12	50	-	-
Printing and publications	-	-	-	142	12,916	3,314	1,437	1,593	4,457	612	-
Travel	7,719	-	-	933	17,345	8,256	8,135	3,809	9,397	2,946	-
Staff development/training/seminars	4,686	-	-	10	1,495	4,970	1,057	1,095	2,222	4,145	-
Insurance	-	-	-	-	573	-	1,008	824	630	400	-
Assistance to individuals	-	-	-	280	1,768	15,756	118,556	108,689	45,093	1,680	49,447
Contracted services	-	-	-	-	19,540	-	-	-	150	-	-
Raw food	-	364,219	-	-	-	-	-	-	-	-	-
Miscellaneous	13,271	-	-	-	2,889	2,211	2,804	2,296	3,431	2,241	488
Indirect costs	-	-	9,438	6,813	60,101	15,073	18,192	12,768	19,280	8,653	-
Total expenditures	\$ 25,676	\$ 611,522	\$ 117,381	\$ 95,382	\$ 886,562	\$ 225,940	\$ 359,578	\$ 274,503	\$ 318,597	\$ 120,572	\$ 49,935

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2016

	WIOA	WIA-Hamblen	Senior Transportation	Senior Nutrition	Totals
REVENUE					
Federal assistance	\$ 136,656	\$ 4,991	\$ 12,200	\$ 625,155	\$ 16,015,032
State assistance	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,944</u>	<u>418,882</u>
Total Revenue	<u>\$ 136,656</u>	<u>\$ 4,991</u>	<u>\$ 12,200</u>	<u>\$ 685,099</u>	<u>\$ 16,433,914</u>
EXPENDITURES					
Salaries and wages	54,072	220	7,737	240,453	7,477,896
Fringe benefits	14,205	17	1,382	65,992	2,243,383
Professional services	581	-	-	1,546	84,320
Supplies	312	-	-	16,646	424,806
Communications	642	-	-	4,905	187,404
Postage and shipping	48	-	-	176	11,575
Occupancy	253	-	-	20,444	729,190
Equipment rental/maintenance	400	-	-	1,782	20,704
Printing and publications	410	-	-	1,173	82,316
Travel	9,639	20	2,184	54,341	329,045
Staff development/training/seminars	3,878	-	-	-	51,054
Insurance	-	-	-	681	82,499
Assistance to individuals	45,496	4,709	-	-	2,880,547
Contracted services	-	-	-	-	109,839
Raw food	-	-	-	247,911	764,703
Miscellaneous	448	-	-	1,157	86,810
Indirect costs	<u>6,272</u>	<u>25</u>	<u>897</u>	<u>27,892</u>	<u>867,823</u>
Total expenditures	<u>\$ 136,656</u>	<u>\$ 4,991</u>	<u>\$ 12,200</u>	<u>\$ 685,099</u>	<u>\$ 16,433,914</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

2016

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Douglas-Cherokee Economic Authority, Inc.
2. No significant deficiencies are disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Douglas-Cherokee Economic Authority, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are disclosed. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Douglas-Cherokee Economic Authority, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516 (a) are reported in this Schedule.
7. The programs tested as major programs were Head Start (93.600) and Trio Cluster (84.044A, 84.047A, and 84.066A)
8. The threshold used for distinguishing Type A and B programs was \$750,000.
9. Douglas-Cherokee Economic Authority, Inc was determined to be a low-risk auditee.
10. There were no questioned costs.
11. There is no summary schedule of prior year findings as there were no findings in the prior year.

B. Findings - Financial Statement Audit

None.

C. Findings - Major Federal Program Awards Audit

None.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Directors
Douglas-Cherokee Economic Authority, Inc.

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, the aggregate discretely presented component units, and each major fund of Douglas-Cherokee Economic Authority, Inc. (the "Agency"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 17, 2017. Our report includes a reference to other auditors who audited all of the discretely presented component units, as described in our report on the Agency's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodger Moss & Co, PLLC

Greeneville, Tennessee
January 17, 2017





Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Douglas-Cherokee Economic Authority, Inc.

Report on Compliance for Each Major Federal Program

We have audited Douglas-Cherokee Economic Authority, Inc.'s (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2016. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Agency's operations include the operations of certain component units which received approximately \$66.7 million in federal awards (including, primarily, HUD loan programs). Our audit, as described below, did not include the operations of these component units, because those component units engaged other auditors to perform audits in accordance with the *Uniform Guidance*, as applicable.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Rodger Moss & Co, PLLC

Greeneville, Tennessee
January 17, 2017