

UPPER EAST TENNESSEE HUMAN
DEVELOPMENT AGENCY, INC.

Financial Statements and Additional Information

June 30, 2020

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Financial Statements and Additional Information
June 30, 2020

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UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Roster of Officers and Directors

June 30, 2020

Officers

Timothy Jaynes	Executive Director
Connie Shockley	Finance Director
Pat Wolfe	Board Chairman (Public Sector)
Kenneth Treadway	Board Vice-Chair (Target Sector)
Daris Morgan	Board Secretary / Treasurer (Target Sector)

Board of Directors

Public Sector

Rusty Barnett, Carter County Mayor
Kevin Morrison, Greene County Mayor
Thomas Harrison, Hancock County Mayor
Alonzo Collins (r)
Jim Lee, Hawkins County Mayor
Mike Taylor, Johnson County Mayor
Richard Venable, Sullivan County Mayor
Garland "Bubba" Evely, Unicoi County Mayor
Joe Grandy, Washington County Mayor
Pat Wolfe (r)
Col. Pat W. Schull, Kingsport City Mayor
Jim Sells, Rogersville City Mayor
Carolyn Byrd (r)
Senator Jon Lundberg

Private Sector

Cindy Anderson
Truman Clark
Angela McCamy
Jessica Smith (a)
Dick Grayson
Ann McConnell
Sara Mietzner
Polly Peterson

Target Sector

Margaret Collins
Phyllis Delph (a)
Deidra Gaus
Ernest Freudeman (a)
Beverly McKinney
Ruth Thomas (a)
Sue Mallory
Paul Monk
Daris Morgan
Carolyn Holt (a)
Vanessa Nelson
Pat Grindstaff (a)
Susan Payne
John White (a)
Rick Shuffler
Gary Brooks (a)
Johnnie Mae Swagerty
Van Dobbins (a)
Kenneth Treadway
Charles VonCannon
Shirley Matheson (a)
Barbara Watterson

(r) Designated Representative
(a) Alternate

Independent Auditors' Report

To the Board of Directors
Upper East Tennessee Human Development Agency, Inc.
Kingsport, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major governmental funds of Upper East Tennessee Human Development Agency, Inc. ("UETHDA") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the UETHDA'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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major governmental funds of the UETHDA, as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited), the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS and related notes (unaudited), the schedule of contributions

based on participation in the public employee pension plan of TCRS (unaudited), the notes to the schedule of contributions based on participation in the public employee pension plan of TCRS (unaudited), and schedule of changes in total other postemployment benefits liability and related ratios and related notes (unaudited) as 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 UETHDA's basic financial statements. The schedule of program activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 schedule of program activity and the schedule 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 schedule of program activity and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The roster of officers and directors on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the UETHDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the UETHDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UETHDA's internal control over financial reporting and compliance.

Rodefer Moss & Co, PLLC

Johnson City, Tennessee
December 16, 2020

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020

Financial Highlights

UETHDA's expenditures this fiscal year were \$18,457,341 compared to \$18,142,724 for the period July 1, 2018 through June 30, 2019. This was an overall increase in expenditures of \$314,617. This is primarily the net of increases in expenditures in The Emergency Food Assistance Program (Food Commodities) \$250,689, Weatherization Assistance Program \$129,987, Community Services Block Grant \$505,574, and Head Start \$173,335 and decreases in the Low Income Home Energy Assistance Program \$713,480.

Additionally:

- UETHDA's overall financial position, as reflected in total net position, increased by \$54,748 due to current year activities.
- In governmental funds, the total fund balance decreased by \$45,266.

Overview of the Financial Statements

The basic financial statements are comprised of (1) UETHDA's government-wide financial statements; (2) fund financial statements that comply with reporting to the Federal Government and other funding sources; and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

UETHDA's Government-Wide Financial Statements

- UETHDA's government-wide financial statements are the statement of net position and the statement of activities. These statements present an aggregate view of UETHDA's finances in a manner similar to private-sector business. Both statements distinguish governmental activities from other types of activities.
- The statement of net position presents information on all of UETHDA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between those items being reported as net position.
- The statement of activities presents information showing how UETHDA's net position changed during the year.
- UETHDA's government-wide financial statements are shown on pages 11 and 13 of this report.
- UETHDA has also presented fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. UETHDA, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund financial statements generally report operations in more detail than UETHDA's government-wide statements.
- There are two fund financial statements: the balance sheet and the statement of revenues, expenditures, and changes in fund balances.

Fund Financial Statements

- UETHDA has only one kind of fund. The governmental funds include the following: the general fund and the special revenue fund. The special revenue fund accounts for all federal, state, grant-funded programs, and local contributions designated for specific purposes.
- Financial information is presented separately on both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the general and special revenue funds as these are considered to be the major funds. Data for funds is combined into a single aggregated column. Data for each federal, state, and local program within the special revenue fund is provided separately as additional information on pages 37 through 39 of this report. The governmental fund financial statements are on pages 14 and 16 of this report.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Unaudited) (Continued)

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

The major features of UETHDA's financial statements, including the portion of the activities reported and the type of information contained, is shown in the table below.

	UETHDA's Government-Wide Statements	Governmental Funds Statements
Scope	Entire UETHDA.	The programmatic and operating activities of UETHDA, such as child education and energy assistance.
Required Financial Statements	Statement of net position and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balances.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting. Current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow of Information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in UETHDA's government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 18 of this report.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Unaudited) (Continued)

Financial Analysis

UETHDA as a Whole

Net Position

Table 1 below provides a summary of UETHDA's net position as of June 30, 2020 and 2019.

Table 1
Condensed Statement of Net Position

	<u>Government-wide</u>	
	<u>2020</u>	<u>2019</u>
Current assets	\$ 2,321,131	\$ 2,213,350
Capital assets	742,569	871,045
Other assets	<u>415,141</u>	<u>242,906</u>
Total assets	<u>\$ 3,478,841</u>	<u>\$ 3,327,301</u>
Deferred outflow of resources	<u>\$ 433,676</u>	<u>\$ 551,795</u>
Current liabilities	\$ 1,007,119	\$ 1,032,850
Long-term liabilities	<u>295,652</u>	<u>320,452</u>
Total liabilities	<u>\$ 1,302,771</u>	<u>\$ 1,353,302</u>
Deferred inflow of resources	<u>\$ 597,199</u>	<u>\$ 567,995</u>
Net investment in capital assets	\$ 742,569	\$ 871,045
Temporarily restricted to grant purpose	201,422	98,022
Unrestricted	<u>1,068,556</u>	<u>988,732</u>
Total net position	<u>\$ 2,012,547</u>	<u>\$ 1,957,799</u>

In governmental activities, total assets and deferred outflow of resources increased by \$33,421, this is primarily due to a net increase in other assets of \$172,235 related to net pension asset and a decrease in pension and other postemployment benefit related items of \$118,119. Total liabilities and deferred inflow of resources decreased by \$21,327. The change in net position is an increase of \$54,748.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Unaudited) (Continued)

Financial Analysis (Continued)

Change in Net Position

Table 2 summarizes the change in net position for the fiscal years ended June 30, 2020 and 2019.

Table 2
Change in Net Position

	<u>2020</u>	<u>Percentage of Funding</u>	<u>2019</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$ 18,441,282	98.99%	\$ 17,987,088	99.08%
Capital grants and contributions	131,413	0.71%	129,826	0.72%
Miscellaneous	52,166	0.28%	33,322	0.18%
Interest and investment earnings	<u>3,895</u>	<u>0.02%</u>	<u>4,040</u>	<u>0.02%</u>
Total revenues	<u>18,628,756</u>	<u>100.00%</u>	<u>18,154,276</u>	<u>100.00%</u>
Expenditures:				
Child education	9,572,152	51.54%	9,239,747	50.94%
Community services programs	2,432,104	13.09%	1,589,231	8.76%
Emergency shelter programs	131,281	0.71%	138,972	0.77%
Nutrition programs	248,647	1.34%	338,267	1.87%
Senior programs	68,923	0.37%	68,380	0.38%
Weatherization/energy assistance	6,105,412	32.87%	6,746,402	37.21%
Corporate activities	<u>15,489</u>	<u>0.08%</u>	<u>11,970</u>	<u>0.07%</u>
Total expenditures	<u>18,574,008</u>	<u>100.00%</u>	<u>18,132,969</u>	<u>100.00%</u>
Change in net position	<u>\$ 54,748</u>		<u>\$ 21,307</u>	

As shown, program revenue in the form of grants and contributions provide over 98% of the funds for governmental activities, which are expended primarily on child education and weatherization/energy assistance.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Unaudited) (Continued)

Financial Analysis (Continued)

Governmental Activities

Net Cost of Governmental Activities

Table 3 reports the cost of seven major UETHDA activities. The table also shows each activity's net cost (total cost less grants and contribution revenue provided for specific programs). Net revenue in child education was used to acquire grant-funded equipment, which has been capitalized in the statement of net position.

Table 3
Net Cost of Governmental Activities

	<u>2020</u>		<u>2019</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Child education	\$ 9,572,152	\$ (146,863)	\$ 9,239,747	\$ (40,378)
Community services programs	2,432,104	88,346	1,589,231	22,379
Emergency shelter programs	131,281	188	138,972	576
Nutrition programs	248,647	-	338,267	-
Senior programs	68,923	1,131	68,380	971
Weatherization/energy assistance	6,105,412	69,375	6,746,402	11,878
Corporate activities	<u>15,489</u>	<u>(13,490)</u>	<u>11,970</u>	<u>(11,481)</u>
Totals	<u>\$ 18,574,008</u>	<u>\$ (1,313)</u>	<u>\$ 18,132,969</u>	<u>\$ (16,055)</u>

Governmental Funds

UETHDA completed the year with a total governmental fund balance of \$1,019,796 of which \$1,058,311 is general fund balance and (\$38,515) is special revenue fund balance. This represents an increase of \$7,458 in general fund balance from \$1,050,853 as of June 30, 2019, and a decrease of \$52,724 in special revenue fund balance from \$14,209 as of June 30, 2019.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Unaudited) (Continued)

Financial Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At the end of the 2020 fiscal year, UETHDA had invested a cumulative amount of \$3,590,022 in a broad range of capital assets, including buildings, capital improvements, vehicles, furniture, and equipment (see Table 4). This amount represents a net decrease of \$128,476. Additional information about capital assets can be found in Note 6, page 23. Total accumulated depreciation on these assets was \$2,847,453.

- UETHDA recognized depreciation expense of \$259,889 for governmental activities (see page 17).

Table 4
Capital Assets

	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Land	\$ 21,000	\$ 21,000	0.00%
Buildings and capital improvements	946,950	928,891	1.94%
Furniture and equipment	810,113	947,971	-14.54%
Vehicles	1,811,959	1,787,849	1.35%
Accumulated depreciation	<u>(2,847,453)</u>	<u>(2,814,666)</u>	1.16%
Totals	<u>\$ 742,569</u>	<u>\$ 871,045</u>	

In-Kind

Two of UETHDA's programs (Head Start; Retired Senior Volunteer Program) require a proportional match of in-kind (nonfederal share). In-kind is property or services that benefit a grant supported project or program and are contributed by nonfederal third parties without charge to the grantee. Head Start requires a 25% match of the total federal funds awarded. Retired Senior Volunteer Program requires a 30% match of the total federal grant award budget.

Cost Allocation

UETHDA accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program's total direct expenditures. Administrative costs are those costs incurred for the common benefit of all UETHDA programs that cannot be readily identified with a final cost objective. This plan has been approved by the Tennessee Department of Human Services, the "state cognizant agency" for UETHDA. The Department of Health and Human Services, the "federal cognizant agency" for UETHDA, approved an indirect cost final rate of 6.29% for the year ended June 30, 2019. A rate of 6.29% will apply to subsequent periods as a provisional rate until amended.

Financial Analysis (Continued)

Commodities

Commodities distributed represent the value of food commodities received from the State of Tennessee, Department of Agriculture and distributed to low income households. The value of commodities (including inventory) is based on valuations provided by the State of Tennessee, Department of Agriculture. Commodity inventory is charged to expense in the period when the commodities are distributed. Those commodities received during the year that had not been distributed are recognized as an asset with a corresponding balance in grant funds received in advance.

Total Revenue

Direct federal grants and federal "flow through" grants with the State of Tennessee account for approximately 99% of UETHDA's total funding. The most significant source of UETHDA's grant revenue, approximately 51% was provided under Head Start and approximately 32% was provided under Low-Income Home Energy Assistance Program. Both of these programs are funded by the U.S. Department of Health and Human Services.

Factors Bearing on UETHDA's Future

On March 11, 2020, the World Health Organization designated COVID-19 a world health pandemic. The COVID-19 pandemic has impacted our Agency, transitioning us from office-based to remote operations while supporting the safety of our staff. We have continued to maintain the education of our Head Start students through a combination of virtual, hybrid and in-class instruction while ensuring the safety of the students and their families. The Head Start Program, partnering with local school systems, have provided nutritious meals to Head Start students. The Low Income Home Energy Assistance Program and Community Services Block Grant have continued to provide the same services to our neighbors through phone contact, emails and drop boxes. Through partnerships, we have been able to transition our commodity distribution to drive-thru in order to maintain the safety of our neighbors.

Due to increased federal funding of over \$5.7 million, COVID-19 will have a significant financial impact in fiscal year 2021. We anticipate spending over \$4 million in federal COVID-19 funds. Our partnerships have been strengthened during the pandemic and we have received over \$184,000 in assistance to neighbors from local organizations for the fiscal years 2020 and 2021.

Contacting UETHDA's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of UETHDA's finances and to demonstrate UETHDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Timothy Jaynes, Executive Director, Upper East Tennessee Human Development Agency, P.O. Box 46, Kingsport, TN 37662.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Statement of Net Position

June 30, 2020

ASSETS

Current Assets

Restricted cash	\$ 737,757
Receivables	
Due from grantor agencies	1,437,242
Other accounts receivable	17,342
Investments	67,897
Prepaid expenses	56,390
Inventory - weatherization materials	4,503

Total current assets	2,321,131
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Capital Assets

Land and building and capital improvements	967,950
Furniture and equipment	810,113
Vehicles	1,811,959

3,590,022

Less accumulated depreciation	2,847,453
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Capital assets, net	742,569
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Other Assets

Net pension asset	415,141
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Total assets	\$ 3,478,841
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DEFERRED OUTFLOW OF RESOURCES

Deferred outflows related to pensions	\$ 405,577
Deferred outflows related to other postemployment benefits	28,099

Total deferred outflow of resources	\$ 433,676
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LIABILITIES

Current Liabilities

Accounts payable	\$ 405,238
Accrued payroll and related expenses	377,839
Accrued annual leave	217,114
Grant funds received in advance	6,928

Total current liabilities	1,007,119
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Long-Term Liabilities

Accrued annual leave	54,279
Total other postemployment benefits liability	241,373

Total long-term liabilities	295,652
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Total liabilities	\$ 1,302,771
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DEFERRED INFLOW OF RESOURCES

Deferred inflows related to pensions	\$ 481,328
Deferred inflows related to other postemployment benefits	115,871

Total deferred inflow of resources	\$ 597,199
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UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Statement of Net Position (Continued)

NET POSITION	
Investment in capital assets	\$ 742,569
Temporarily restricted to grant purpose	201,422
Unrestricted	<u>1,068,556</u>
Total net position	<u>\$ 2,012,547</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities					
Program activities:					
General government	\$ 1,019,173	\$ (1,019,173)	\$ -	\$ -	\$ -
Child education	9,076,440	495,712	9,363,981	61,308	(146,863)
Community services programs	2,306,680	125,424	2,520,450	-	88,346
Emergency shelter programs	124,729	6,552	131,469	-	188
Nutrition programs	233,108	15,539	248,647	-	-
Senior programs	65,405	3,518	70,054	-	1,131
Energy assistance	5,732,984	372,428	6,104,682	70,105	69,375
Total program activities	18,558,519	-	18,439,283	131,413	12,177
Support services:					
General government	3,703	(3,703)	-	-	-
Corporate activities	11,786	3,703	1,999	-	(13,490)
Total support services	15,489	-	1,999	-	(13,490)
Total organization	<u>\$ 18,574,008</u>	<u>\$ -</u>	<u>\$ 18,441,282</u>	<u>\$ 131,413</u>	<u>(1,313)</u>
General revenue:					
Miscellaneous					52,166
Interest and investment earnings					3,895
Total general revenue					56,061
Change in net position					
Net position, beginning of year					
					54,748
					1,957,799
Net position, end of year					
					<u>\$ 2,012,547</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Balance Sheet - Governmental Funds

June 30, 2020

	General	Special Revenue	Totals
ASSETS			
Restricted cash	\$ -	\$ 737,757	\$ 737,757
Receivables:			
Due from grantor agencies	-	1,437,242	1,437,242
Other accounts receivable	-	17,342	17,342
Due from other funds	963,028	-	963,028
Investments	67,897	-	67,897
Prepaid expenses	30,018	26,372	56,390
Inventory - weatherization materials	-	4,503	4,503
	<u>-</u>	<u>4,503</u>	<u>4,503</u>
Total assets	<u>\$ 1,060,943</u>	<u>\$ 2,223,216</u>	<u>\$ 3,284,159</u>
LIABILITIES			
Accounts payable	\$ 2,632	\$ 402,606	\$ 405,238
Accrued payroll and related expenses	-	377,839	377,839
Due to other funds	-	963,028	963,028
Deferred revenues	-	511,330	511,330
Grant funds received in advance	-	6,928	6,928
	<u>-</u>	<u>6,928</u>	<u>6,928</u>
Total liabilities	<u>2,632</u>	<u>2,261,731</u>	<u>2,264,363</u>
FUND BALANCES			
Nonspendable			
Inventory	-	4,503	4,503
Prepaid expenses	30,018	26,372	56,390
Restricted	-	441,940	441,940
Unassigned	1,028,293	(511,330)	516,963
	<u>1,028,293</u>	<u>(511,330)</u>	<u>516,963</u>
Total fund balances	<u>1,058,311</u>	<u>(38,515)</u>	<u>1,019,796</u>
Total liabilities and fund balances	<u>\$ 1,060,943</u>	<u>\$ 2,223,216</u>	<u>\$ 3,284,159</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position
 June 30, 2020

Total fund balance - governmental funds		\$ 1,019,796
<p>Total net position reported to governmental activities in the statement of net position are different from the amount reported above as total governmental funds balance because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:</p>		
Governmental capital assets	\$ 3,590,022	
Less governmental accumulated depreciation	<u>2,847,453</u>	
Net capital assets		742,569
<p>Revenues in the statement of activities that do not provide current financial resources are deferred in the governmental funds. Amounts reported in the statement of net position but deferred in the governmental funds are:</p>		
Due from grantor agencies		511,330
<p>Unpaid vacation and personal leave is a liability of the governmental funds only if the employee has resigned or retired. Amounts reported for governmental activities in the statement of net position are:</p>		
Accrued vacation and personal leave		(271,393)
<p>Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and other post employment benefits will be amortized and recognized as components of pension expense in future years.</p>		
Deferred outflows related to pensions	405,577	
Deferred outflows related to other postemployment benefits	28,099	
Deferred inflows related to pensions	(481,328)	
Deferred inflows related to other postemployment benefits	<u>(115,871)</u>	
Net deferral of resources		(163,523)
Net pension assets of the agency are not current financial resources and therefore are not reported in the governmental funds.		415,141
Total other postemployment benefits liability of the agency represent long-term liabilities which will be reported in the governmental funds as they mature.		<u>(241,373)</u>
Total net position - governmental activities		<u>\$ 2,012,547</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Total
Revenues			
Grants	\$ -	\$ 17,549,175	\$ 17,549,175
Local contributions	1,999	237,534	239,533
Other	22,834	29,332	52,166
Interest income	3,895	-	3,895
Commodities	-	567,306	567,306
	<u>28,728</u>	<u>18,383,347</u>	<u>18,412,075</u>
Total revenues			
Expenditures			
Salaries	3,663	5,421,843	5,425,506
Fringe benefits	540	1,813,547	1,814,087
Travel	167	240,795	240,962
Communications	956	157,003	157,959
Utilities	540	67,001	67,541
Office supplies	558	108,161	108,719
Program supplies	5,281	978,359	983,640
Maintenance and repairs	628	321,192	321,820
Rental buildings	-	198,425	198,425
Contractual	974	189,368	190,342
Delegate agencies	-	1,518,154	1,518,154
Equipment rent	-	16,251	16,251
Equipment (sensitive minor)	-	435,723	435,723
Equipment and capital improvements	-	131,413	131,413
Insurance	3	50,923	50,926
Advertising	505	85,609	86,114
Direct client assistance	-	4,839,745	4,839,745
Other	2,889	38,331	41,220
Training	863	237,749	238,612
Indirect costs	3,703	1,019,173	1,022,876
Commodities distributed	-	567,306	567,306
	<u>21,270</u>	<u>18,436,071</u>	<u>18,457,341</u>
Total expenditures			
Excess of revenues over expenditures (deficiency)	7,458	(52,724)	(45,266)
Fund balances, beginning of year	<u>1,050,853</u>	<u>14,209</u>	<u>1,065,062</u>
Fund balances, end of year	<u>\$ 1,058,311</u>	<u>\$ (38,515)</u>	<u>\$ 1,019,796</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ (45,266)

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

The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	\$	131,413	
Depreciation expense reported in the statement of activities		<u>(259,889)</u>	
Amount by which depreciation is less than capital acquisitions in the current period			(128,476)

Receivables are reported in the governmental funds if they provide current financial resources to liquidate liabilities of the current period. The statement of activities reports the receivables earned during the year.

Deferred revenues			216,681
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Vested accrued vacation and personal leave are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Accrued vacation and personal leave earned		(228,568)	
Accrued vacation and personal leave paid		<u>168,011</u>	
Net accrued vacation and personal leave (earned)			(60,557)

Pension and other post employment benefits expenses are recognized in the governmental funds as current financial resources are utilized. The statement of activities recognizes the pension expense as the deferred outflows and inflows are amortized.

Pension expense recognized in the statement of activities		(225,848)	
Other postemployment benefits expense recognized in the statement of activities		(20,832)	
Pension expense recognized in the governmental funds		<u>319,046</u>	
Net difference in the amount of pension and other post employment benefit expense recognized.			<u>72,366</u>

Change in net position - statement of activities			\$ <u>54,748</u>
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UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Upper East Tennessee Human Development Agency, Inc. (“UETHDA”) was organized as a nonprofit organization in 1973 and incorporated in 1978. UETHDA was formed to develop and provide resources for the purpose of assisting low income individuals in eight counties of upper east Tennessee through a variety of programs. UETHDA’s employer identification number is 62-0902005.

Significant Policies - The financial statements of UETHDA have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board “GASB” is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by UETHDA are described below.

UETHDA is incorporated as a private nonprofit organization; however, based on correspondence from the State of Tennessee, Department of Audit, Division of Municipal Audit, UETHDA will be under the jurisdiction of GASB rather than FASB. Therefore, this organization must follow the same guidelines as other governmental units.

BASIS OF PRESENTATION

Government-Wide Statements - The statement of net position and the statement of activities present financial information about UETHDA’s organizational activities. These statements include the financial activities of the organization in its entirety. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally consist of programs funded by grants from federal, state, and local governments.

The statement of activities presents a comparison between direct expenses and program revenue for each function of UETHDA’s organizational activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients for goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including interest income, is presented as general revenue.

Fund Financial Statements - The fund statements provide information about UETHDA’s funds. A separate statement for government fund types is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

UETHDA reports the following major governmental funds:

General Fund - This is UETHDA’s primary operating fund. It accounts for all financial activity that is not required to be accounted for in the special revenue fund. All general receipts that are not allocated by law or contractual agreement to a special revenue fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

Special Revenue Fund - This fund accounts for activities associated with providing Head Start, energy assistance, and other social service programs. Sources include grants received primarily from federal, state, and local governments. Excess expenditures of the fund are financed with a transfer from the general fund.

There are no nonmajor governmental funds.

UETHDA’s board of directors is the body that would approve any fund balance commitments. However, UETHDA does not have, and does not expect to have, any commitments of fund balance. Also, UETHDA does not have, nor does it expect to have, any assigned fund balance. UETHDA’s restricted fund balance consists of the fund balance remaining in its special revenue fund’s fund balance after taking into account nonspendable fund balances in the special revenue fund. UETHDA considers restricted amounts to be spent when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which UETHDA gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, UETHDA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Grant funds received in advance are reported on the balance sheet when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Grant funds received in advance also arises when resources are received by UETHDA before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when UETHDA has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

Fund Balances - UETHDA’s fund balances consist of the following categories:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories) or legally or contractually required to be maintained intact (the corpus of a permanent fund). Nonspendable fund balance also includes the long-term portion of loans and notes receivable and property acquired for resale.

Restricted fund balances have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed fund balances result when the government’s governing body imposes constraints through formal action of that body. Committed amounts cannot be used for any other purpose unless the government removes the constraint using the same type of action that was used to commit those amounts. UETHDA has no committed fund balances.

Assigned fund balances are constrained by the government’s intent for those assigned amounts to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the governing body, a body to which the governing body has delegated authority (i.e., a budget or finance committee), or an official that the governing body has designated. UETHDA has no assigned fund balances.

Any residual fund balance remaining after all of the other categories of fund balance have been determined is categorized as unassigned fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received. Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in UETHDA's financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	None	N/A
Buildings and capital improvements	\$ 5,000	Straight-line	7-30
Furniture and equipment	\$ 5,000	Straight-line	3-15
Vehicles	\$ 5,000	Straight-line	5

Federal, State, and Local Agency Grant Funds - Program funds authorized under federal, state, and local agency grants are requisitioned from such agencies primarily for reimbursement of allowable costs incurred up to amounts contracted for under each grant. These funds are accounted for at the time allowable costs are incurred. The grant periods for individual grants do not necessarily coincide with the fiscal year of UETHDA. Since UETHDA receives funds either on an advance basis or on a cost-reimbursement basis, either a receivable (due from grantor agencies) or a liability (grant funds received in advance) may exist at UETHDA's balance sheet date. UETHDA's policy is to expend federal, state, and local agency grant funds which are restricted as to purpose before using unrestricted funds to pay for program expenses.

Inventories - Inventory consists of food commodities received but which have not yet been distributed to eligible households. The value of each commodity item in inventory is provided by the grantor, the State of Tennessee, Department of Agriculture. Commodity inventory is charged to expense in the period when the commodities are distributed. UETHDA uses the first in first out (FIFO) method in determining cost of inventory.

Investments - Investments are recorded at fair value.

Annual Leave - Annual leave is expensed during the period it is earned. UETHDA's policies allow employees to accrue leave time and carry it over into future program years. The liability for annual leave recognized in the statement of net position represents accrued annual leave for all UETHDA employees at June 30, 2020. Grant funds reimburse the special revenue fund as the leave is earned.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pension Plan - 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 UETHDA's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from UETHDA'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.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (“OPEB”) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on an actuarial basis based on UETHDA’s participation in the Tennessee Local Government Insurance Plan. For reporting purposes, the plan is considered a single employer defined benefit OPEB plan based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Income Taxes - UETHDA is a private nonprofit corporation, incorporated under the Tennessee General Corporation Act. UETHDA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. UETHDA is also exempt from State of Tennessee income taxes. UETHDA evaluates its tax positions in accordance with applicable standards, has evaluated its tax positions, and believes that it has none that are uncertain. UETHDA’s Form 990s for the current and three preceding years remain available for possible examination by the Internal Revenue Service.

Budgetary Accounting - UETHDA receives funds under various grants and contracts which end on various budget cycles. As a result, no formal organization-wide budget is available. Therefore, no budgetary comparison has been included in these financial statements.

Delegate Agencies - UETHDA delegates a portion of the Head Start program to two local school districts. Delegate expenditures have been included in the statement of revenues, expenditures, and changes in fund balances. These delegate agencies are required to submit their own agency-wide audit reports. Any modifications to UETHDA’s financial records as a result of the delegate agency reports will be reported in the year when the adjustments become known.

Cost Allocation - UETHDA accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program’s total direct expenditures. Administrative costs are those costs incurred for the common benefit of all UETHDA programs that cannot be readily identified with a final cost objective. This plan has been approved by the Department of Health and Human Services. The approved provisional rate for the year ended June 30, 2020, was 6.29%.

Date of Management’s Review - UETHDA’s 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 AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, UETHDA’s deposits may not be returned to it. UETHDA does not have a deposit policy for custodial credit risk.

UETHDA’s bank deposits are maintained in banks participating in the Tennessee Collateral Pool for Public Deposits and, consequently, are fully insured.

Cash at June 30, 2020, consisted of the following:

	Bank Balance	Carrying Value
Cash with financial institutions - restricted	\$ 836,086	\$ 730,687
Gift Cards for Clients - restricted	-	7,070
Total cash	\$ 836,086	\$ 737,757

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments

Prevailing Law - State statutes authorize UETHDA to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; certificates of deposit or other evidence of deposit at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurers' Investment Pool; and bonds of any state or political subdivision subject to qualification.

Credit Risk - UETHDA does not have a formal investment policy that limits its choice of investments based on ratings issued by a nationally recognized statistical ratings organization as a means of limiting its risk that an issuer will not fulfill its obligations.

Interest Rate Risk - UETHDA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - UETHDA places no limit on the amount it may invest in any one issuer. UETHDA's only investment at June 30, 2020, was a certificate of deposit issued by Citizens Bank which matures October 24, 2020.

NOTE 3 - RESTRICTED CASH

UETHDA's restricted cash balance at June 30, 2020, consisted of the following:

Payroll trust fund	\$ 515,526
Various local restricted funds	<u>222,231</u>
Total	<u><u>\$ 737,757</u></u>

The payroll trust fund consists of funds received from various grantor agencies to cover the cost of payroll taxes and benefits, including vacation, which are accrued as the underlying wages are earned.

NOTE 4 - RECEIVABLE - DUE FROM GRANTOR AGENCIES

Receivables from grantor agencies at June 30, 2020, consisted of the following:

Federal	\$ 340,655
State	<u>1,096,587</u>
Total	<u><u>\$ 1,437,242</u></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 4 - RECEIVABLE - DUE FROM GRANTOR AGENCIES (Continued)

At the end of the current fiscal year, the components of deferred revenue and unearned revenue reported in the Special Revenue fund were as follows:

Type of Revenue	(Available)		
	Unavailable	Unearned	Deferred
State grant funding	\$ 511,330	\$ -	\$ 511,330
Federal grant funding	(6,928)	<u>6,928</u>	<u>-</u>
Government-wide unearned revenues		<u>\$ 6,928</u>	
Special revenue fund deferred revenues			<u>\$ 511,330</u>

NOTE 5 - COMMODITIES

UETHDA receives commodity supplement food from the State of Tennessee, Department of Agriculture for distribution to low income households. Those commodities received during the year that had not been distributed are recognized as inventory with a corresponding balance in grant funds received in advance. The value of commodity inventory at June 30, 2020, was \$0.

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020, consisted of the following:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Capital assets being depreciated:				
Buildings and capital improvements	928,891	61,309	(43,250)	946,950
Furniture and equipment	947,971	6,839	(144,697)	810,113
Vehicles	<u>1,787,849</u>	<u>63,266</u>	<u>(39,156)</u>	<u>1,811,959</u>
Total capital assets being depreciated	<u>3,664,711</u>	<u>131,414</u>	<u>(227,103)</u>	<u>3,569,022</u>
Less accumulated depreciation for:				
Buildings and capital improvements	632,455	37,469	(43,250)	626,674
Furniture and equipment	860,655	61,926	(144,697)	777,884
Vehicles	<u>1,321,556</u>	<u>160,495</u>	<u>(39,156)</u>	<u>1,442,895</u>
Total accumulated depreciation	<u>2,814,666</u>	<u>259,890</u>	<u>(227,103)</u>	<u>2,847,453</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>850,045</u>	<u>(128,476)</u>	<u>-</u>	<u>721,569</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 871,045</u>	<u>\$ (128,476)</u>	<u>\$ -</u>	<u>\$ 742,569</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2020, was \$259,889. This total is broken out by program as follows: Child education \$247,669 Community services programs \$3,400, Weatherization \$6,896, and Local \$1,924.

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2020, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued annual leave	\$ 210,836	\$ 228,568	\$ (168,011)	\$ 271,393	\$ 217,114
Total other postemployment benefits liability	<u>288,827</u>	<u>57,525</u>	<u>(104,979)</u>	<u>241,373</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 499,663</u>	<u>\$ 286,093</u>	<u>\$ (272,990)</u>	<u>\$ 512,766</u>	<u>\$ 217,114</u>

NOTE 8 - NET POSITION TEMPORARILY RESTRICTED TO GRANT PURPOSE

Net position temporarily restricted to grant purpose consisted of the following:

Community Services Local	\$ 193,652
Housing Local	2,031
Head Start Local	412
Reading is Fundamental Donations	4,548
Senior Services Local	<u>779</u>
Total	<u>\$ 201,422</u>

Community Services Local contributions are used to provide services to low income individuals in the community. Housing Local contributions support weatherization projects in the community. Head Start Local contributions support Head Start classrooms and Reading is Fundamental contributions provide books for children. Senior Services Local contributions support the Retired Senior Volunteer Program.

NOTE 9 - RETIREMENT PLAN

General Information About the Pension Plan

Plan Description - Employees of UETHDA are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 9 - RETIREMENT 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 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	92
Inactive employees entitled to but not yet receiving benefits	391
Active employees	227
	710

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. UETHDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions for UETHDA were \$314,260 based on a rate of 5.540% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept UETHDA's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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)

UETHDA's net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability as of June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 9 - RETIREMENT PLAN (Continued)

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.25 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 UETHDA 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.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 9 - RETIREMENT PLAN (Continued)

Changes in Net Pension Liability (Asset)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at June 30, 2018	\$ 13,105,797	\$ 13,348,703	\$ (242,906)
Changes for the year:			
Service cost	459,037	-	459,037
Interest	963,945	-	963,945
Expected vs. actual experience	(25,434)	-	(25,434)
Changes in assumptions	-	-	-
Contributions- employer	-	333,892	(333,892)
Contributions- employee	-	260,856	(260,856)
Net investment income	-	995,295	(995,295)
Benefit payments, including refunds	(538,094)	(538,094)	-
Administrative expense	-	(20,260)	20,260
Net changes	<u>859,454</u>	<u>1,031,689</u>	<u>(172,235)</u>
Balance at June 30, 2019	<u>\$ 13,965,251</u>	<u>\$ 14,380,392</u>	<u>\$ (415,141)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of UETHDA calculated using the discount rate of 7.25 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 (6.25 percent) or 1 - percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability (Asset)	\$ 1,544,844	\$ (415,141)	\$ (2,001,605)

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

Pension Expense - For the year ended June 30, 2020, UETHDA recognized pension expense of \$221,062.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2020, UETHDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Expected vs. actual experience	\$ -	\$ 317,744
Projected vs. actual earnings on investments	-	163,584
Changes in assumptions	91,317	-
Contributions subsequent to the measurement date of June 30, 2019	<u>314,260</u>	<u>-</u>
	<u>\$ 405,577</u>	<u>\$ 481,328</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 9 - RETIREMENT PLAN (Continued)

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019”, 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:	
2021	\$ (154,373)
2022	(192,866)
2023	(37,533)
2024	(5,239)
2025	-
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2020, UETHDA reported a payable of \$59,069 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (“OPEB”)

Local Government OPEB Plan

General Information About the OPEB Plan

Plan description - Employees of UETHDA, are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits provided - UETHDA offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. UETHDA does not directly subsidize and is only subject to the implicit subsidy for retirees. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)

Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	195

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2020, UETHDA paid \$2,732 to the LGOP for OPEB benefits as they became due.

Total OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%
Retiree’s share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purposes of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS ("OPEB") (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 288,827
Changes for the year:	
Service cost	27,065
Interest	11,383
Expected vs. actual experience	(102,075)
Changes in assumptions	19,077
Benefit payments	(2,904)
Net changes	(47,454)
Balance at June 30, 2019	\$ 241,373

Changes in Assumptions - The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability. It was also decided to change the status of the LGOP from a closed plan to one that is open to all eligible employees regardless of initial hire date. This change in status will increase the OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near term health trend rates.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability related to the LGOP, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current discount rate.

	Discount Rate Assumption		
	1% Decrease	Current	1% Increase
	2.51	3.51	4.51
Total OPEB Liability	\$ 262,647	\$ 241,373	\$ 221,599

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, related to the LGOP, as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current healthcare cost trend rate.

	Healthcare Cost Trend Rate Assumption		
	1% Decrease	Current	1% Increase
	(5.03%/4.20%	(6.03%/5.20%	(7.03%/6.20%
	decreasing to 3.50%)	decreasing to 4.50%)	decreasing to 5.50%)
Total OPEB Liability	\$ 211,606	\$ 241,373	\$ 276,645

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the year ended June 30, 2020, UETHDA recognized OPEB expense of \$23,564.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2020, UETHDA reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	\$ -	\$ 105,929
Changes in assumptions	25,367	9,942
Employer payments subsequent to the measurement date	2,732	-
	\$ 28,099	\$ 115,871

The amounts shown above for “Employer payments subsequent to the measurement date” will be recognized as a reduction to total OPEB liability in the following measurement period.

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

Year Ended June 30:		
2021	\$	(14,884)
2022		(14,884)
2023		(14,884)
2024		(14,884)
2025		(14,884)
Thereafter		(16,084)

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

NOTE 11 - CONCENTRATIONS

Approximately 99% of UETHDA’s revenues consist of direct federal grants and being a subrecipient of federal grants administered by the State of Tennessee. Approximately 51% of revenues were Head Start monies received under a grant from the U.S. Department of Health and Human Services. The other 48% consists of monies received for UETHDA’s other programs in their position of being a subrecipient of federal grants administered by the State of Tennessee.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 12 - IN-KIND REVENUES

UETHDA is required to obtain local support of the total cost of the Head Start and Retired Senior Volunteer programs in the form of in-kind contributions. This can be in the form of rent-free use of space in school classrooms, manpower provided by parents of Head Start children, and other forms of non-cash contributions. The amount of in-kind revenue is also recognized as expense so that the effect on the UETHDA's operations is zero. In-kind revenue and expenses are not included in the basic financial statements. Program expenditures in the Schedule of Program Activity include in-kind revenues and expenses. The final page of the Schedule of Program Activity is a reconciliation of total revenues and expenses, which include in-kind, to the amounts reported in the statement of revenues, expenditures, and changes in fund balances.

NOTE 13 - OPERATING LEASE AGREEMENTS

UETHDA leases various facilities for operation of its programs. Rentals paid for real estate for the year ended June 30, 2020 totaled \$198,425. All of UETHDA's real estate and equipment leases are cancelable with a thirty-day notice in the event that UETHDA loses federal funding for any program which utilizes leased property.

NOTE 14 - DELEGATE EXPENDITURES

UETHDA delegates a portion of their federal Head Start program to two local school districts. Expenditures reported by the delegates for the year ended June 30, 2020, are as follows:

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 950,708
Johnson County Board of Education	<u>567,446</u>
Total	<u>\$ 1,518,154</u>

NOTE 15 - RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the
Public Employee Pension Plan of TCRS (Unaudited)
Year Ended June 30, 2020

Last Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability						
Service cost	\$ 337,222	\$ 342,550	\$ 364,632	\$ 402,707	\$ 416,709	\$ 459,037
Interest	713,169	787,308	862,261	893,957	931,586	963,945
Expected vs. actual experience	395,318	338,444	(336,351)	(76,055)	(401,952)	(25,434)
Change of assumptions	-	-	-	228,294	-	-
Benefit payments, including refunds of employee contributions	(435,857)	(489,162)	(492,857)	(519,144)	(546,599)	(538,094)
Net change in total pension liability	1,009,852	979,140	397,685	929,759	399,744	859,454
Total pension liability- beginning	9,389,617	10,399,469	11,378,609	11,776,294	12,706,053	13,105,797
Total pension liability- ending	<u>\$ 10,399,469</u>	<u>\$ 11,378,609</u>	<u>\$ 11,776,294</u>	<u>\$ 12,706,053</u>	<u>\$ 13,105,797</u>	<u>\$ 13,965,251</u>
Plan fiduciary net position						
Contributions- employer	\$ 303,861	\$ 172,693	\$ 169,772	\$ 264,771	\$ 281,761	\$ 333,892
Contributions- employee	191,350	215,869	212,217	223,249	247,218	260,856
Net investment income	1,528,488	329,866	289,724	1,260,801	1,024,550	995,295
Benefit payments, including refunds of employee contributions	(435,857)	(489,162)	(492,857)	(519,144)	(546,599)	(538,094)
Administrative expense	(7,443)	(10,790)	(15,605)	(15,304)	(20,279)	(20,260)
Other changes	-	-	14,638	-	-	-
Net change in plan fiduciary net position	1,580,399	218,476	177,889	1,214,373	986,651	1,031,689
Plan fiduciary net position- beginning	9,170,915	10,751,314	10,969,790	11,147,679	12,362,052	13,348,703
Plan fiduciary net position- ending	<u>\$ 10,751,314</u>	<u>\$ 10,969,790</u>	<u>\$ 11,147,679</u>	<u>\$ 12,362,052</u>	<u>\$ 13,348,703</u>	<u>\$ 14,380,392</u>
Net pension (asset) liability	<u>\$ (351,845)</u>	<u>\$ 408,819</u>	<u>\$ 628,615</u>	<u>\$ 344,001</u>	<u>\$ (242,906)</u>	<u>\$ (415,141)</u>
Plan fiduciary net position as a percentage of total pension liability	103.38%	96.41%	94.66%	97.29%	101.85%	102.97%
Covered-employee payroll	\$ 3,826,968	\$ 4,317,321	\$ 4,244,291	\$ 4,464,928	\$ 4,751,456	\$ 5,217,056
Net pension (asset) liability as a percentage of covered-employee payroll	-9.19%	9.47%	14.81%	7.70%	-5.11%	-7.96%

Notes to Schedule:

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

** 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 the future fiscal years until 10 years of information is available.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS (Unaudited)
Year Ended June 30, 2020

	Last Fiscal Year Ended June 30						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 303,861	\$ 172,693	\$ 169,771	\$ 264,771	\$ 281,761	\$ 333,892	\$ 314,260
Contributions in relation to the actuarially determined contribution	<u>303,861</u>	<u>172,693</u>	<u>169,771</u>	<u>264,771</u>	<u>281,761</u>	<u>333,892</u>	<u>314,260</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$3,826,968	\$4,317,321	\$4,244,291	\$4,464,928	\$4,751,456	\$5,217,056	\$5,672,576
Contributions as a percentage of covered-employee payroll	7.94%	4.00%	4.00%	5.93%	5.93%	6.40%	5.54%

* 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 the future fiscal years until 10 years of information is available.

See independent auditors' report.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to the Schedule of Contributions Based on Participation
In the Public Employee Pension Plan of TCRS (Unaudited)
June 30, 2020

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2018, actuarial valuation.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

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

NOTE 3 - CHANGES OF ASSUMPTIONS

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

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Schedule of Changes in Other Postemployment Benefit
 Liability and Related Ratios (Unaudited)
 Year Ended June 30, 2020

Last Fiscal Year Ended June 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total other postemployment benefit liability			
Service cost	\$ 22,762	\$ 21,988	\$ 27,065
Interest	8,124	10,399	11,383
Expected vs. actual experience	-	(23,861)	(102,075)
Change of assumptions	(14,751)	11,643	19,077
Benefit payments	-	(2,921)	(2,904)
Net change in total pension liability	<u>16,135</u>	<u>17,248</u>	<u>(47,454)</u>
Total other postemployment benefit liability- beginning	<u>255,444</u>	<u>271,579</u>	<u>288,827</u>
Total other postemployment benefit liability- ending	<u>\$ 271,579</u>	<u>\$ 288,827</u>	<u>\$ 241,373</u>
Covered-employee payroll	\$ 4,172,840	\$ 4,471,811	\$ 4,255,412
Total other postemployment benefit liability as a percentage of covered-employee payroll	6.51%	6.46%	5.67%

Notes to Schedule:

* There are no assets accumulating, in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

** The amount reported for each fiscal year were determined as of the prior fiscal year-end.

*** 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 the future fiscal years until 10 years of information is available.

Additional Information

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Schedule of Program Activity
 Year Ended June 30, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	06/30/19 Receivable (Grant Funds Received in Advance)	2019/2020 Receipts	2019/2020 Other Revenue	Expenditures	Excess of Expenditures Over Revenue	06/30/20 Grant Funds Received in Advance	06/30/20 Receivable
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE												
Department of Agriculture												
10.569	N/A	The Emerg. Food Assist. Prog. (Noncash assistance)	Tennessee Department of Agriculture	07/01/19-06/30/20	N/A	\$ (91,875)	\$ 475,431	\$ -	\$ 567,306	\$ -	\$ -	\$ -
10.558	03-47-55965-00-9	Child and Adult Care Food Program (CCFP)	Tennessee Department of Human Services	10/01/18-09/30/19	N/A	1,403	68,434	-	67,031	-	-	-
10.558	03-47-55965-00-9	Child and Adult Care Food Program (CCFP)	Tennessee Department of Human Services	10/01/19-09/30/20	N/A	-	181,616	-	181,616	-	-	-
		Subtotal 10.558				1,403	250,050	-	248,647	-	-	-
10.568	70727	Emergency Food Assistance Program	Tennessee Department of Agriculture	10/01/18-09/30/19	96,500	15,560	51,433	-	35,873	-	-	-
10.568	75681	Emergency Food Assistance Program	Tennessee Department of Agriculture	10/01/19-09/30/20	88,450	-	48,050	-	64,583	-	-	16,533
		Subtotal 10.568				15,560	99,483	-	100,456	-	-	16,533
81.042	WAP-18-15	Weatherization Assistance for Low-Income Persons	Tennessee Housing Development Agency	07/01/18-06/30/19	495,997	170,261	170,261	-	-	-	-	-
81.042	WAP-19-15	Weatherization Assistance for Low-Income Persons	Tennessee Housing Development Agency	07/01/19-06/30/21	1,207,738	-	219,841	-	387,854	-	-	168,013
		Subtotal 81.042				170,261	390,102	-	387,854	-	-	168,013
Department of Health and Human Services												
93.558	N/A	Temporary Assistance for Needy Families (Child Care Certificate)	Tennessee Department of Human Services	07/01/19-12/31/19	N/A	-	53,853	5,670	59,523	-	-	-
93.558	N/A	Temporary Assistance for Needy Families (Child Care Certificate)	Tennessee Department of Human Services	01/01/20-12/31/20	N/A	-	59,247	2,605	61,852	-	-	-
		Subtotal 93.558				-	113,100	8,275	121,375	-	-	-
93.568	LIHEAP-18-19	Low-Income Home Energy Assistance Program	Tennessee Department of Human Services	07/01/18-06/30/20	10,138,734	1,054,400	5,465,928	-	4,411,528	-	-	-
93.568	LIHEAP-20-19	Low-Income Home Energy Assistance Program	Tennessee Housing Development Agency	10/01/19-09/30/21	5,142,367	-	576,544	-	1,135,473	-	-	558,929
93.568	LWx-18-15	Low-Income Home Energy Assistance Program	Tennessee Housing Development Agency	07/01/18-06/30/21	545,138	103,742	236,438	-	239,932	-	-	107,236
		Subtotal 93.568				1,158,142	6,278,910	-	5,786,933	-	-	666,165
93.569	Z19-49120	Community Services Block Grant	Tennessee Department of Human Services	10/01/18-09/30/19	1,701,000	108,678	473,128	918	365,368	-	-	-
93.569	Z20-49120	Community Services Block Grant	Tennessee Department of Human Services	10/01/19-09/30/21	1,838,112	-	892,264	16,037	1,143,151	-	-	234,850
93.569	Z19-49120SP	Community Services Block Grant Special Projects	Tennessee Department of Human Services	11/01/18-09/30/19	626,400	131,307	337,177	4,522	210,392	-	-	-
93.569	Z22-49220COV	Community Services Block Grant CARES Act	Tennessee Department of Human Services	06/19/20-12/29/22	1,598,755	-	-	-	11,026	-	-	11,026
		Subtotal 93.569				239,985	1,702,569	21,477	1,729,937	-	-	245,876

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Program Activity (Continued)
Year Ended June 30, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	06/30/19 Receivable (Grant Funds Received in Advance)	2019/2020 Receipts	2019/2020 Other Revenue	Expenditures	Excess of Expenditures Over Revenue	06/30/20 Grant Funds Received in Advance	06/30/20 Receivable
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)												
Department of Health and Human Services (Continued)												
93.600	04CH4688/06	Head Start Full-Year, Part-Day	U.S. Dept. of Health and Human Services	01/01/19-06/30/19	4,322,000	\$ 215,803	\$ 432,064	\$ -	\$ 216,261	\$ -	\$ -	\$ -
93.600	04CH010996/01	Head Start Full-Year, Part-Day	U.S. Dept. of Health and Human Services	07/01/19-12/31/19	6,005,318	-	4,718,649	1,117	4,719,766	-	-	-
93.600	04CH010996/01	Head Start Training and Technical Assistance	U.S. Dept. of Health and Human Services	07/01/19-12/31/19	53,169	-	53,169	-	53,169	-	-	-
93.600	N/A	In-Kind Contributions	N/A	07/01/19-12/31/19	1,514,622	-	-	1,192,955	1,192,955	-	-	-
93.600	04CH010996/02	Head Start Full-Year, Part-Day	U.S. Dept. of Health and Human Services	01/01/20-12/31/20	9,551,257	-	3,936,849	-	4,276,416	-	-	339,567
93.600	04CH010996/02	Head Start Training and Technical Assistance	U.S. Dept. of Health and Human Services	01/01/20-12/31/20	106,339	-	47,394	-	47,394	-	-	-
93.600	N/A	In-Kind Contributions	N/A	01/01/20-12/31/20	2,414,398	-	-	1,223,441	1,223,441	-	-	-
		Subtotal 93.600				215,803	9,188,125	2,417,513	11,729,402	-	-	339,567
Corporation for National and Community Service												
94.002	19SRSTN001	Retired Senior Volunteer Program	Corp. for National and Community Service	04/01/19-03/31/20	59,812	9,824	50,957	-	41,133	-	-	-
94.002	N/A	In-Kind Contributions	N/A	04/01/19-03/31/20	11,960	-	-	8,685	8,685	-	-	-
94.002	19SRSTN002	Retired Senior Volunteer Program	Corp. for National and Community Service	04/01/20-03/31/21	59,812	-	10,233	-	11,321	-	-	1,088
94.002	N/A	In-Kind Contributions	N/A	04/01/20-03/31/21	11,580	-	-	2,895	2,895	-	-	-
		Subtotal 94.002				9,824	61,190	11,580	64,034	-	-	1,088
Department of Homeland Security												
97.024	36-763400-005	Emergency Food & Shelter	United Way National Board - Carter Co.	10/01/18-03/31/20	5,000	-	5,000	-	5,000	-	-	-
97.024	36-768600-001	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Hancock Co.	10/01/18-01/31/20	2,800	-	2,800	-	2,800	-	-	-
97.024	36-769200-004	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Hawkins Co.	08/01/18-03/31/20	11,395	-	11,395	-	11,395	-	-	-
97.024	36-771000-001	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Johnson Co.	10/01/18-01/31/20	3,683	-	3,683	-	3,683	-	-	-
97.024	36-779800-001	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Unicoi Co.	10/01/18-01/31/20	8,135	-	8,135	-	8,135	-	-	-
97.024	37-779800-001	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Unicoi Co.	01/01/20-05/31/21	5,774	-	2,887	-	-	-	2,887	-
97.024	779800-001	Emergency Food & Shelter CARES Act	U.S. Dept. of Homeland Security-Unicoi Co.	01/27/20-05/31/21	8,083	-	4,041	-	-	-	4,041	-
		Subtotal 97.024				-	37,941	-	31,013	-	6,928	-
		Total Federal Financial Assistance				1,719,103	18,596,901	2,458,845	20,766,957	-	6,928	1,437,242
OTHER ASSISTANCE												
N/A	N/A	State Appropriated	State of TN	07/01/19-06/30/20	25,050	-	25,050	-	25,050	-	-	-
		Total Other Assistance				-	25,050	-	25,050	-	-	-
		Total - Special Revenue Fund				1,719,103	18,621,951	2,458,845	20,792,007	-	6,928	1,437,242
GENERAL AND LOCAL FUND ACTIVITY												
		Agency Operations	Donations, Interest Income			-	-	264,725	93,310	171,415	-	-
		TOTALS				\$ 1,719,103	\$ 18,621,951	\$ 2,723,570	\$ 20,885,317	\$ 171,415	\$ 6,928	\$ 1,437,242

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Program Activity (Continued)
Year Ended June 30, 2020

Note: Included in other revenue is in-kind contributions required by grant awards. In-kind is recorded at fair value and is recognized in the period received. The in-kind recorded relates primarily to the Head Start program and consists of volunteer services, donated facilities, and donated materials. In-kind is not recorded in the statement of revenues, expenditures and changes in fund balances.

The revenue and expenditures are as follows:

REVENUES		EXPENDITURES	
(Prior year grant receivable) funds received in advance	\$ (1,719,103)	Expenditures	\$ 20,885,317
Current grant receipts	18,621,951	In-kind contributions	<u>(2,427,976)</u>
Current grant funds received in advance	(6,928)		
Current grant receivable	1,437,242		
Deferred revenues	<u>(216,681)</u>		
Net grant and commodity revenue	18,116,481		
Other revenue	2,723,570		
In-kind	<u>(2,427,976)</u>		
 Total revenues per statement of revenues, expenditures, and changes in fund balances (see page 16)	 <u>\$ 18,412,075</u>	 Total expenditures per statement of revenues, expenditures, and changes in fund balances (see page 16)	 <u>\$ 18,457,341</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Agency Award Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Food Distribution Cluster			
(Passed-Through Tennessee Department of Agriculture)			
The Emergency Food Assistance Program (Food Commodities) (Noncash assistance)	10.569	N/A	\$ <u>567,306</u>
(Passed-Through Tennessee Department of Agriculture)			
The Emergency Food Assistance Program	10.568	70727	35,873
The Emergency Food Assistance Program	10.568	75681	<u>64,583</u>
Subtotal 10.568			<u>100,456</u>
Subtotal Food Distribution Cluster			<u>667,762</u>
(Passed-Through Tennessee Department of Human Services)			
Child and Adult Care Food Program	10.558	03-47-55965-00-9	67,031
Child and Adult Care Food Program	10.558	03-47-55965-00-9	<u>181,616</u>
Subtotal 10.558			<u>248,647</u>
U.S. DEPARTMENT OF ENERGY			
(Passed-Through Tennessee Housing Development Agency)			
Weatherization Assistance for Low-Income Persons	81.042	WAP-19-15	<u>387,854</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed-Through Tennessee Department of Human Services)			
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	N/A	53,853
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	N/A	<u>59,247</u>
Subtotal 93.558			<u>113,100</u>
(Passed-Through Tennessee Housing Development Agency)			
Low-Income Home Energy Assistance Program	93.568	LIHEAP-18-19	4,411,528
Low-Income Home Energy Assistance Program	93.568	LIHEAP-20-19	1,135,473
Low-Income Home Energy Assistance Program	93.568	LWx-18-15	<u>239,932</u>
Subtotal 93.568			<u>5,786,933</u>
(Passed-Through Tennessee Department of Human Services)			
Community Services Block Grant	93.569	Z19-49120	364,450
Community Services Block Grant	93.569	Z20-49120	1,127,114
Community Services Block Grant	93.569	Z19-49120SP	205,870
Community Services Block Grant	93.569	Z22-49220COV	<u>11,026</u>
Subtotal 93.569			<u>1,708,460</u>

See independent auditors' report.

See notes to schedule of expenditures of federal awards.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Expenditures of Federal Awards (Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Agency Award Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Direct Grant			
Head Start Full-Year, Part-Day	93.600		216,261
Head Start Full-Year, Part-Day (includes delegate expenses of \$760,703)	93.600		4,718,649
Head Start Training and Technical Assistance (includes delegate expenses of \$11,452)	93.600		53,169
Head Start Full-Year, Part-Day (includes delegate expenses of \$737,175)	93.600		4,276,416
Head Start Training and Technical Assistance (includes delegate expenses of \$8,824)	93.600		<u>47,394</u>
Subtotal 93.600			<u>9,311,889</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Grant			
Retired Senior Volunteer Program	94.002		41,133
Retired Senior Volunteer Program	94.002		<u>11,321</u>
Subtotal 94.002			<u>52,454</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Grant			
Emergency Food and Shelter	97.024	36-768600-001	2,800
Emergency Food and Shelter	97.024	36-769200-004	11,395
Emergency Food and Shelter	97.024	36-771000-001	3,683
Emergency Food and Shelter	97.024	36-779800-001	8,135
(Passed-Through United Way National) Emergency Food and Shelter	97.024	36-763400-005	<u>5,000</u>
Subtotal 97.024			<u>31,013</u>
TOTAL FEDERAL PROGRAMS			<u>\$ 18,308,112</u>

See independent auditors' report.
See notes to schedule of expenditures of federal awards.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

NOTE 1 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The schedule of expenditures of federal awards includes the federal grant activity of UETHDA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SCHEDULE OF PROGRAM ACTIVITY

The expenses included in the schedule of program activity include both federal and nonfederal expenditures for the period July 1, 2019 to June 30, 2020. The federal expenditures on this schedule represent the amount of federal grant monies expended.

NOTE 3 - INDIRECT COSTS

UETHDA accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program's total direct expenditures. Administrative costs are those costs incurred for the common benefit of all UETHDA programs that cannot be readily identified with a final cost objective. This plan has been approved by the Department of Health and Human Services. The approved provisional rate for the year ended June 30, 2020, was 6.29%.

NOTE 4 - DELEGATE AGENCIES

UETHDA delegates a portion of their federal Head Start program to two local school districts. Expenses reported by the delegates for the year ended June 30, 2020, are as follows:

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 950,708
Johnson County Board of Education	567,446
Total	\$ 1,518,154

NOTE 5 - IN-KIND

The Head Start program, funded by the Department of Health and Human Services, requires that the program receive a nonfederal share equal to 25% of total federal expenditures. The nonfederal in-kind contributions were received by UETHDA and delegate agencies as follows:

Delegates/UETHDA	04CH010996/01	04CH010996/02	Total
Carter County Head Start	\$ 120,302	\$ 167,459	\$ 287,761
Johnson County Board of Education	72,737	116,265	189,002
Subtotal	193,039	283,724	476,763
UETHDA	999,916	939,717	1,939,633
Total Head Start in-kind	\$ 1,192,955	\$ 1,223,441	\$ 2,416,396

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

To the Board of Directors
Upper East Tennessee Human Development Agency, 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 and the major governmental funds of Upper East Tennessee Human Development Agency, Inc. ("UETHDA"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise UETHDA's basic financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UETHDA'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodefer Moss & Co, PLLC

Johnson City, Tennessee
December 16, 2020



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

To the Board of Directors
Upper East Tennessee Human Development Agency, Inc.

Report on Compliance for Each Major Federal Program

We have audited Upper East Tennessee Human Development Agency, Inc.'s ("UETHDA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on UETHDA's major federal program for the year ended June 30, 2020. UETHDA's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for UETHDA'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 UETHDA'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 UETHDA's compliance.

Opinion on Each Major Federal Program

In our opinion, UETHDA 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, 2020.

Report on Internal Control over Compliance

Management of UETHDA 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 UETHDA'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 UETHDA'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 a combination of deficiencies, in internal

control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Rodefer Moss & Co, PLLC

Johnson City, Tennessee
December 16, 2020



UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2020

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: UNMODIFIED

	YES	NO
Internal control over financial reporting:		
Material weakness identified?		X
Significant deficiencies identified that are not considered to be a material weakness?		X
Non-compliance material to financial statements noted?		X

Federal Awards

Type of auditors' report issued for major federal programs: UNMODIFIED

	YES	NO
Internal control over major programs:		
Material weakness identified?		X
Significant deficiencies identified that is not considered to be a material weakness?		X
Auditee qualified as a low-risk auditee?	X	
Dollar threshold used to distinguish between Type A and Type B Programs:		\$ 750,000

The major federal programs for Upper East Tennessee Human Development Agency, Inc. for the fiscal year ended June 30, 2020, are:

Program Name	CFDA
Low-Income Home Energy Assistance	93.568
Community Services Block Grant	93.569

II. Findings and Questioned Costs - Financial Statement Audit

There were no questioned costs identified during the year ended June 30, 2020.

There were no findings deemed to be material weaknesses or significant deficiencies in internal control relative to financial reporting.

II. Findings and Questioned Costs - Major Programs

There were no questioned costs identified during the year ended June 30, 2020.

There were no findings deemed to be material weaknesses or significant deficiencies in internal control relative to the major programs.

There were no findings of noncompliance relative to the major programs.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

III. Detailed Findings

There were no 2020 findings.

IV. Prior Year Findings

There were no 2019 findings.