

UPPER EAST TENNESSEE HUMAN
DEVELOPMENT AGENCY, INC.

Financial Statements and Additional Information

June 30, 2019

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Financial Statements and Additional Information
June 30, 2019

TABLE OF CONTENTS

Roster of Officers and Directors	1
Independent Auditors' Report	2
Management's Discussion and Analysis (Unaudited)	4
Financial Statements	
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	17
Notes to Financial Statements	18
Required Supplementary Information	
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)	33
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS (Unaudited)	34
Notes to Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS (Unaudited)	35
Schedule of Changes in Total Other Postemployment Benefits and Related Ratios and Related Notes (Unaudited)	36
Additional Information	
Schedule of Program Activity	37
Schedule of Expenditures of Federal Awards	40
Notes to the Schedule of Expenditures of Federal Awards	42
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 <i>Government Auditing Standards</i>	43
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	45
Schedule of Findings and Questioned Costs	47

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Roster of Officers and Directors
June 30, 2019

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. Shull, Kingsport City Mayor
Morris Baker (r)
Jim Sells, Rogersville City Mayor
Carolyn Byrd (r)
Senator Jon Lundberg

Private Sector

Cindy Anderson
Debra Bridwell
Truman Clark
Angela McCamy
Jessica Smith
Dick Grayson
Ann McConnell
Sara Mietzner
Polly Peterson

Target Sector

Margaret Collins
Phyllis Delph (a)
Deidra Gaus
Chandra Stout (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
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, 2019, and the related notes to the financial statements, which collectively comprise 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 UETHDA, as of June 30, 2019, 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 the 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 the purpose 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of 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 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

Kingsport, Tennessee
December 11, 2019

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019

Financial Highlights

UETHDA's expenditures this fiscal year were \$18,142,724 compared to \$15,639,619 for the period July 1, 2017 through June 30, 2018. This was an overall increase in expenditures of \$2,503,105. The primary increases in expenditures were in the Low Income Home Energy Assistance Program \$2,320,518, and Community Service Block Grant \$240,004.

Additionally:

- UETHDA's overall financial position, as reflected in total net position, increased by \$21,307 due to current year activities.
- In governmental funds, the total fund balance decreased by \$103,638.

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, 2019 and 2018.

Table 1
Condensed Statement of Net Position

	<u>Government-wide</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 2,213,350	\$ 1,734,932
Capital assets	871,045	1,011,192
Other assets	<u>242,906</u>	<u>-</u>
Total assets	<u>\$ 3,327,301</u>	<u>\$ 2,746,124</u>
Deferred outflow of resources	<u>\$ 551,795</u>	<u>\$ 681,756</u>
Current liabilities	\$ 1,032,850	\$ 565,312
Long-term liabilities	<u>320,452</u>	<u>647,569</u>
Total liabilities	<u>\$ 1,353,302</u>	<u>\$ 1,212,881</u>
Deferred inflow of resources	<u>\$ 567,995</u>	<u>\$ 278,507</u>
Net investment in capital assets	\$ 871,045	\$ 1,011,192
Temporarily restricted to grant purpose	98,022	74,710
Unrestricted	<u>988,732</u>	<u>850,590</u>
Total net position	<u>\$ 1,957,799</u>	<u>\$ 1,936,492</u>

In governmental activities, total assets and deferred outflow of resources increased by \$451,216, this is primarily due to a net increase in current assets of \$478,418 related to receivables and a decrease in pension and other postemployment benefit related items of \$129,961. Total liabilities and deferred inflow of resources increased by \$429,909. The change in net position is an increase of \$21,307.

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, 2019 and 2018.

Table 2
Change in Net Position

	<u>2019</u>	<u>Percentage of Funding</u>	<u>2018</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$ 17,987,088	99.08%	\$ 15,152,912	96.71%
Capital grants and contributions	129,826	0.72%	487,367	3.11%
Miscellaneous	33,322	0.18%	25,255	0.16%
Interest and investment earnings	<u>4,040</u>	<u>0.02%</u>	<u>3,260</u>	<u>0.02%</u>
Total revenues	<u>18,154,276</u>	<u>100.00%</u>	<u>15,668,794</u>	<u>100.00%</u>
Expenditures:				
Child education	9,239,747	50.94%	9,319,959	60.36%
Community services programs	1,589,231	8.76%	1,240,425	8.03%
Emergency shelter programs	138,972	0.77%	108,431	0.70%
Nutrition programs	338,267	1.87%	331,588	2.15%
Senior programs	68,380	0.38%	68,720	0.44%
Weatherization/energy assistance	6,746,402	37.21%	4,341,867	28.11%
Corporate activities	<u>11,970</u>	<u>0.07%</u>	<u>33,101</u>	<u>0.21%</u>
Total expenditures	<u>18,132,969</u>	<u>100.00%</u>	<u>15,444,091</u>	<u>100.00%</u>
Change in net position	<u>\$ 21,307</u>		<u>\$ 224,703</u>	

As shown, program revenue in the form of grants and contributions provide over 99% 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>2019</u>		<u>2018</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	\$ 9,239,747	\$ (40,378)	\$ 9,319,959	\$ 227,901
Community services programs	1,589,231	22,379	1,240,425	1,117
Emergency shelter programs	138,972	576	108,431	(147)
Nutrition programs	338,267	-	331,588	-
Senior programs	68,380	971	68,720	3,087
Weatherization/energy assistance	6,746,402	11,878	4,341,867	(2,784)
Corporate activities	<u>11,970</u>	<u>(11,481)</u>	<u>33,101</u>	<u>(32,986)</u>
Totals	<u>\$ 18,132,969</u>	<u>\$ (16,055)</u>	<u>\$ 15,444,091</u>	<u>\$ 196,188</u>

Governmental Funds

UETHDA completed the year with a total governmental fund balance of \$1,065,062 of which \$1,050,853 is general fund balance and \$14,209 is special revenue fund balance. This represents a decrease of \$12,068 in general fund balance from \$1,062,921 as of June 30, 2018, and a decrease of \$91,570 in special revenue fund balance from \$105,779 as of June 30, 2018.

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 2019 fiscal year, UETHDA had invested a cumulative amount of \$3,685,711 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 \$140,147. Additional information about capital assets can be found in Note 6, page 23. Total accumulated depreciation on these assets was \$2,814,666.

- UETHDA recognized depreciation expense of \$269,973 for governmental activities (see page 17).

Table 4
Capital Assets

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Land	\$ 21,000	\$ 21,000	0.00%
Buildings and capital improvements	928,891	966,306	-3.87%
Furniture and equipment	947,971	1,069,054	-11.33%
Vehicles	1,787,849	1,775,572	0.69%
Accumulated depreciation	<u>(2,814,666)</u>	<u>(2,820,740)</u>	-0.22%
Totals	<u>\$ 871,045</u>	<u>\$ 1,011,192</u>	

Factors Bearing on UETHDA's Future

There are no known factors which would impact UETHDA's future.

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 6.39% for the year ended June 30, 2018. A rate of 6.39% will apply to subsequent periods as a provisional rate until amended.

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

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 36% 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.

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, 2019

ASSETS

Current Assets

Restricted cash	\$	132,335
Receivables		
Due from grantor agencies		1,810,978
Other accounts receivable		26,884
Investments		66,241
Prepaid expenses		85,037
Inventory - commodity food		91,875

Total current assets		<u>2,213,350</u>
----------------------	--	------------------

Capital Assets

Land and building and capital improvements		949,891
Furniture and equipment		947,971
Vehicles		1,787,849

		3,685,711
Less accumulated depreciation		<u>2,814,666</u>

Capital assets, net		<u>871,045</u>
---------------------	--	----------------

Other Assets

Net pension asset		<u>242,906</u>
-------------------	--	----------------

Total assets	\$	<u><u>3,327,301</u></u>
--------------	----	-------------------------

DEFERRED OUTFLOW OF RESOURCES

Deferred outflows related to pensions	\$	538,556
Deferred outflows related to other postemployment benefits		13,239

Total deferred outflow of resources	\$	<u><u>551,795</u></u>
-------------------------------------	----	-----------------------

LIABILITIES

Current Liabilities

Accounts payable	\$	556,192
Accrued payroll and related expenses		205,572
Accrued annual leave		179,211
Grant funds received in advance		91,875

Total current liabilities		<u>1,032,850</u>
---------------------------	--	------------------

Long-Term Liabilities

Accrued annual leave		31,625
Total other postemployment benefits liability		288,827

Total long-term liabilities		<u>320,452</u>
-----------------------------	--	----------------

Total liabilities	\$	<u><u>1,353,302</u></u>
-------------------	----	-------------------------

DEFERRED INFLOW OF RESOURCES

Deferred inflows related to pensions	\$	535,270
Deferred inflows related to other postemployment benefits		32,725

Total deferred inflow of resources	\$	<u><u>567,995</u></u>
------------------------------------	----	-----------------------

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Statement of Net Position (Continued)

NET POSITION	
Investment in capital assets	\$ 871,045
Temporarily restricted to grant purpose	98,022
Unrestricted	<u>988,732</u>
Total net position	<u><u>\$ 1,957,799</u></u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Statement of Activities
Year Ended June 30, 2019

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	\$ 941,508	\$ (941,508)	\$ -	\$ -	\$ -
Child education	8,811,856	427,891	9,073,395	125,974	(40,378)
Community services programs	1,510,628	78,603	1,611,610	-	22,379
Emergency shelter programs	133,940	5,032	139,548	-	576
Nutrition programs	318,030	20,237	338,267	-	-
Senior programs	64,865	3,515	69,351	-	971
Energy assistance	6,340,172	406,230	6,758,280	-	11,878
Total program activities	18,120,999	-	17,990,451	125,974	(4,574)
Support services:					
General government	3,599	(3,599)	-	-	-
Corporate activities	8,371	3,599	(3,363)	3,852	(11,481)
Total support services	11,970	-	(3,363)	3,852	(11,481)
Total organization	\$ 18,132,969	\$ -	\$ 17,987,088	\$ 129,826	(16,055)
General revenue:					
Miscellaneous					33,322
Interest and investment earnings					4,040
Total general revenue					37,362
Change in net position					21,307
Net position, beginning of year					1,936,492
Net position, end of year					\$ 1,957,799

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Balance Sheet - Governmental Funds

June 30, 2019

	General	Special Revenue	Totals
ASSETS			
Restricted cash	\$ -	\$ 132,335	\$ 132,335
Receivables:			
Due from grantor agencies	-	1,810,978	1,810,978
Other accounts receivable	10,360	16,524	26,884
Due from other funds	917,506	-	917,506
Investments	66,241	-	66,241
Prepaid expenses	58,780	26,257	85,037
Inventory - commodity food	-	91,875	91,875
Total assets	<u>\$ 1,052,887</u>	<u>\$ 2,077,969</u>	<u>\$ 3,130,856</u>
LIABILITIES			
Accounts payable	\$ 2,034	\$ 554,158	\$ 556,192
Accrued payroll and related expenses	-	205,572	205,572
Due to other funds	-	917,506	917,506
Deferred revenues	-	294,649	294,649
Grant funds received in advance	-	91,875	91,875
Total liabilities	<u>2,034</u>	<u>2,063,760</u>	<u>2,065,794</u>
FUND BALANCES			
Nonspendable			
Inventory	-	91,875	91,875
Prepaid expenses	58,780	26,257	85,037
Restricted	-	190,726	190,726
Unassigned	992,073	(294,649)	697,424
Total fund balances	<u>1,050,853</u>	<u>14,209</u>	<u>1,065,062</u>
Total liabilities and fund balances	<u>\$ 1,052,887</u>	<u>\$ 2,077,969</u>	<u>\$ 3,130,856</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position
June 30, 2019

Total fund balance - governmental funds	\$ 1,065,062
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:	
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:	
Governmental capital assets	\$ 3,685,711
Less governmental accumulated depreciation	<u>2,814,666</u>
Net capital assets	871,045
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:	
Due from grantor agencies	294,649
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:	
Accrued vacation and personal leave	(210,836)
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.	
Deferred outflows related to pensions	538,556
Deferred outflows related to other postemployment benefits	13,239
Deferred inflows related to pensions	(535,270)
Deferred inflows related to other postemployment benefits	<u>(32,725)</u>
Net deferral of resources	(16,200)
Net pension assets of the agency are not current financial resources and therefore are not reported in the governmental funds.	242,906
Total other postemployment benefits liability of the agency represent long-term liabilities which will be reported in the governmental funds as they mature.	<u>(288,827)</u>
Total net position - governmental activities	<u>\$ 1,957,799</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Total
Revenues			
Grants	\$ -	\$ 17,600,922	\$ 17,600,922
Local contributions	489	83,696	84,185
Other	13,950	19,372	33,322
Interest income	4,040	-	4,040
Commodities	-	316,617	316,617
	<u>18,479</u>	<u>18,020,607</u>	<u>18,039,086</u>
Total revenues			
Expenditures			
Salaries	158	4,901,246	4,901,404
Fringe benefits	2,089	1,776,255	1,778,344
Travel	528	233,214	233,742
Communications	1,930	155,191	157,121
Utilities	-	56,345	56,345
Office supplies	-	79,681	79,681
Program supplies	2,735	1,057,096	1,059,831
Maintenance and repairs	1,115	342,037	343,152
Rental buildings	-	193,000	193,000
Contractual	-	269,500	269,500
Delegate agencies	-	1,786,149	1,786,149
Equipment rent	3	31,994	31,997
Equipment (sensitive minor)	-	197,772	197,772
Equipment and capital improvements	3,852	125,974	129,826
Insurance	73	55,148	55,221
Advertising	8,028	13,446	21,474
Direct client assistance	1,646	5,460,421	5,462,067
Other	4,506	24,492	28,998
Training	285	95,091	95,376
Indirect costs	3,599	941,508	945,107
Commodities distributed	-	316,617	316,617
	<u>30,547</u>	<u>18,112,177</u>	<u>18,142,724</u>
Total expenditures			
Deficiency of revenue over expenditures	(12,068)	(91,570)	(103,638)
Fund balances, beginning of year	<u>1,062,921</u>	<u>105,779</u>	<u>1,168,700</u>
Fund balances, end of year	<u>\$ 1,050,853</u>	<u>\$ 14,209</u>	<u>\$ 1,065,062</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, 2019

Net change in fund balances - total governmental funds \$ (103,638)

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	\$ 129,826	
Depreciation expense reported in the statement of activities	<u>(269,973)</u>	
Amount by which depreciation is less than capital acquisitions in the current period		(140,147)

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	115,190
-------------------	---------

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	(217,201)	
Accrued vacation and personal leave paid	<u>216,893</u>	
Net accrued vacation and personal leave (earned)		(308)

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	(154,010)	
Other postemployment benefits expense recognized in the statement of activities	(26,507)	
Pension expense recognized in the governmental funds	<u>330,727</u>	
Net difference in the amount of pension and other post employment benefit expense recognized.		<u>150,210</u>

Change in net position - statement of activities	<u><u>\$ 21,307</u></u>
--	-------------------------

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
June 30, 2019

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, 2019. 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 totaling \$1,786,149 for the year ended June 30, 2019, 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, 2019, was 6.39%.

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, 2019, consisted of the following:

	Bank Balance	Carrying Value
Cash with financial institutions - restricted	\$ 238,737	\$ 132,335

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, 2019, was a certificate of deposit issued by Citizens Bank which matures October 24, 2019.

NOTE 3 - RESTRICTED CASH

UETHDA's restricted cash balance at June 30, 2019, consisted of the following:

Payroll trust fund	\$ 27,510
Various local restricted funds	<u>104,825</u>
Total	<u><u>\$ 132,335</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, 2019, consisted of the following:

Federal	\$ 225,627
State	<u>1,585,351</u>
Total	<u><u>\$ 1,810,978</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	\$ 294,649	\$ -	\$ 294,649
Federal grant funding	(91,875)	91,875	-
Government-wide unearned revenues		\$ 91,875	
Special revenue fund deferred revenues			\$ 294,649

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, 2019, was \$91,875.

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, 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	966,306	-	(37,415)	928,891
Furniture and equipment	1,095,669	5,974	(153,672)	947,971
Vehicles	1,748,957	123,852	(84,960)	1,787,849
Total capital assets being depreciated	3,810,932	129,826	(276,047)	3,664,711
Less accumulated depreciation for:				
Buildings and capital improvements	620,530	49,340	(37,415)	632,455
Furniture and equipment	952,622	61,705	(153,672)	860,655
Vehicles	1,247,588	158,928	(84,960)	1,321,556
Total accumulated depreciation	2,820,740	269,973	(276,047)	2,814,666
Total capital assets being depreciated, net of accumulated depreciation	990,192	(140,147)	-	850,045
Governmental activities capital assets, net of accumulated depreciation	\$ 1,011,192	\$ (140,147)	\$ -	\$ 871,045

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, 2019, was \$269,973. This total is broken out by program as follows:
Child education \$264,978 Community services programs \$3,400, and Local \$1,595.

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2019, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance
Accrued annual leave	\$ 31,989	\$ -	\$ (364)	\$ 31,625
Net pension liability	344,001	1,368,574	(1,712,575)	-
Total other postemployment benefits liability	<u>271,579</u>	<u>44,030</u>	<u>(26,782)</u>	<u>288,827</u>
Total governmental activities long-term liabilities	<u>\$ 647,569</u>	<u>\$ 1,412,604</u>	<u>\$ (1,739,721)</u>	<u>\$ 320,452</u>

NOTE 8 - NET POSITION TEMPORARILY RESTRICTED TO GRANT PURPOSE

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

Community Services Local	\$ 86,680
Housing Local	6,382
Head Start Local	412
Reading is Fundamental Donations	<u>4,548</u>
Total	<u>\$ 98,022</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 are to be used to purchase books for children.

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	84
Inactive employees entitled to but not yet receiving benefits	360
Active employees	<u>228</u>
	<u><u>672</u></u>

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, 2019, employer contributions for UETHDA were \$333,892 based on a rate of 6.40% 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, 2018, 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, 2018, 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, 2018, 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		<hr/> 100%

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)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 12,706,053	\$ 12,362,052	\$ 344,001
Changes for the year:			
Service cost	416,709	-	416,709
Interest	931,586	-	931,586
Expected vs. actual experience	(401,952)	-	(401,952)
Changes in assumptions	-	-	-
Contributions- employer	-	281,761	(281,761)
Contributions- employee	-	247,218	(247,218)
Net investment income	-	1,024,550	(1,024,550)
Benefit payments, including refunds	(546,599)	(546,599)	-
Administrative expense	-	(20,279)	20,279
Net changes	<u>399,744</u>	<u>986,651</u>	<u>(586,907)</u>
Balance at June 30, 2018	<u>\$ 13,105,797</u>	<u>\$ 13,348,703</u>	<u>\$ (242,906)</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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ 1,611,387	\$ (242,906)	\$ (1,742,992)

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

Pension Expense - For the year ended June 30, 2018, UETHDA recognized pension expense of \$157,175.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2019, UETHDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	\$ 67,688	\$ 481,638
Projected vs. actual earnings on investments	-	53,632
Changes in assumptions	136,976	-
Contributions subsequent to the measurement date of June 30, 2018	<u>333,892</u>	<u>-</u>
	<u>\$ 538,556</u>	<u>\$ 535,270</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, 2018”, 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:	
2020	\$ 19,375
2021	(142,775)
2022	(181,268)
2023	(25,935)
2024	-
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, 2019, UETHDA reported a payable of \$48,506 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

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, 2018, 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	<u>194</u>
	<u>194</u>

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, 2019, UETHDA paid \$2,904 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, 2018 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	6.75% for 2019, decreasing annually over a 32 year period to an ultimate rate of 3.81%.
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, 2017, valuations were the same as those employed in the July 1, 2017 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 3.62 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

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 271,579
Changes for the year:	
Service cost	21,988
Interest	10,399
Expected vs. actual experience	(23,861)
Changes in assumptions	11,643
Benefit payments	<u>(2,921)</u>
Net changes	<u>17,248</u>
Balance at June 30, 2018	<u>\$ 288,827</u>

Changes in Assumptions - The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. 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 (2.62%)	Current (3.62%)	1% Increase (4.62%)
Total OPEB Liability	<u>\$ 311,128</u>	<u>\$ 288,827</u>	<u>\$ 267,345</u>

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 (5.75% to 2.81%)	Current (6.75% to 3.81%)	1% Increase (7.75% to 4.81%)
Total OPEB Liability	<u>\$ 254,083</u>	<u>\$ 288,827</u>	<u>\$ 329,600</u>

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, 2019, UETHDA recognized OPEB expense of \$29,411.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2019, 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	\$ -	\$ 21,180
Changes in assumptions	10,335	11,545
Employer payments subsequent to the measurement date	2,904	-
	<u>\$ 13,239</u>	<u>\$ 32,725</u>

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:	
2020	\$ (2,976)
2021	(2,976)
2022	(2,976)
2023	(2,976)
2024	(2,976)
Thereafter	(7,510)

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, 2019 totaled \$139,317. 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 - 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 and Related Notes (Unaudited)
Year Ended June 30, 2019

Last Fiscal Year Ended June 30

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

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, 2019

	Last Fiscal Year Ended June 30					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 303,861	\$ 172,693	\$ 169,771	\$ 264,771	\$ 281,761	\$ 333,892
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>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered-employee payroll	7.94%	4.00%	4.00%	5.93%	5.93%	6.40%

* 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.

See notes to the schedule of contributions based on participation in the Public Employee Pension Plan of TCRS (Unaudited).

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, 2019

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017, 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	2.5 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 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 Benefits
Liability and Related Ratios and Related Notes (Unaudited)
Year Ended June 30, 2019

Last Fiscal Year Ended June 30

	<u>2018</u>	<u>2019</u>
Total other postemployment benefits liability		
Service cost	\$ 22,762	\$ 21,988
Interest	8,124	10,399
Differences between actual and expected experience	-	(23,861)
Change of assumptions	(14,751)	11,643
Benefit payments, including refunds of employee contributions	-	(2,921)
Net change in total other postemployment benefits liability	16,135	17,248
Total other postemployment benefits liability- beginning	255,444	271,579
Total other postemployment benefits liability- ending	<u>\$ 271,579</u>	<u>\$ 288,827</u>
Covered-employee payroll	\$ 3,380,141	\$ 4,172,840
Total OPEB liability as a percentage of covered-employee payroll	8.03%	6.92%

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, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	06/30/18 Receivable (Grant Funds Received in Advance)	2018/2019 Receipts	2018/2019 Other Revenue	Expenditures	Excess of Expenditures Over Revenue	06/30/19 Grant Funds Received in Advance	06/30/19 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	07/01/18-06/30/19	N/A	\$ (54,868)	\$ 353,624	\$ -	\$ 316,617	\$ -	\$ 91,875	\$ -
10.558	03-47-55965-00-9	Child and Adult Care Food Program (CCFP)	Tennessee Department of Human Services	10/01/17-09/30/18	N/A	1,192	77,699	-	76,507	-	-	-
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	-	260,357	-	261,760	-	-	1,403
		Subtotal 10.558				1,192	338,056	-	338,267	-	-	1,403
10.568	66732	Emergency Food Assistance Program	Tennessee Department of Agriculture	10/01/17-09/30/18	91,000	24,100	64,740	-	40,640	-	-	-
10.568	70727	Emergency Food Assistance Program	Tennessee Department of Agriculture	10/01/18-09/30/19	96,500	-	45,066	-	60,626	-	-	15,560
		Subtotal 10.568				24,100	109,806	-	101,266	-	-	15,560
81.042	WAP-17-15	Weatherization Assistance for Low-Income Persons	Tennessee Housing Development Agency	07/01/17-06/30/18	309,198	70,358	70,358	-	-	-	-	-
81.042	WAP-18-15	Weatherization Assistance for Low-Income Persons	Tennessee Housing Development Agency	07/01/18-06/30/19	495,997	-	87,606	-	257,867	-	-	170,261
		Subtotal 81.042				70,358	157,964	-	257,867	-	-	170,261
Department of Health and Human Services												
93.558	N/A	Temporary Assistance for Needy Families (Child Care Certificate)	Tennessee Department of Human Services	01/01/18-12/31/18	N/A	-	12,703	1,632	14,335	-	-	-
93.558	N/A	Temporary Assistance for Needy Families (Child Care Certificate)	Tennessee Department of Human Services	01/01/19-06/30/19	N/A	-	47,612	5,490	53,102	-	-	-
		Subtotal 93.558				-	60,315	7,122	67,437	-	-	-
93.568	LIHEAP-17-19	Low-Income Home Energy Assistance Program	Tennessee Department of Human Services	07/01/17-09/30/18	4,610,583	408,336	992,887	-	584,550	-	-	-
93.568	LIHEAP-18-19	Low-Income Home Energy Assistance Program	Tennessee Housing Development Agency	07/01/18-06/30/20	10,138,734	-	4,672,806	-	5,727,206	-	-	1,054,400
93.568	LWx-17-15	Low-Income Home Energy Assistance Program Weatherization	Tennessee Housing Development Agency	07/01/17-09/30/18	247,881	77,019	111,823	-	34,804	-	-	-
93.568	LWx-18-15	Low-Income Home Energy Assistance Program Weatherization	Tennessee Housing Development Agency	07/01/18-06/30/20	545,138	-	50,110	-	153,852	-	-	103,742
		Subtotal 93.568				485,355	5,827,626	-	6,500,412	-	-	1,158,142
93.569	Z18-49120A	Community Services Block Grant	Tennessee Department of Human Services	04/01/18-09/30/18	1,047,100	120,440	359,139	1,252	239,951	-	-	-
93.569	Z19-49120	Community Services Block Grant	Tennessee Department of Human Services	10/01/18-09/30/19	1,701,000	-	534,161	4,051	646,890	-	-	108,678
93.569	Z19-49120SP	Community Services Block Grant Special Projects	Tennessee Department of Human Services	11/01/18-09/30/19	626,400	-	190,041	6,109	327,457	-	-	131,307
		Subtotal 93.569				120,440	1,083,341	11,412	1,214,298	-	-	239,985

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Program Activity (Continued)
Year Ended June 30, 2019

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	06/30/18 Receivable (Grant Funds Received in Advance)	2018/2019 Receipts	2018/2019 Other Revenue	Expenditures	Excess of Expenditures Over Revenue	06/30/19 Grant Funds Received in Advance	06/30/19 Receivable
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)												
Department of Health and Human Services (Continued)												
93.600	04CH4688/05	Head Start Full-Year, Part-Day	U.S. Dept. of Health and Human Services	01/01/18-12/31/18	9,040,662	\$ 223,679	\$ 5,160,717	\$ 1,179	\$ 4,938,217	\$ -	\$ -	\$ -
93.600	04CH4688/05	Head Start Training and Technical Assistance	U.S. Dept. of Health and Human Services	01/01/18-12/31/18	106,339	-	42,607	-	42,607	-	-	-
93.600	N/A	In-Kind Contributions	N/A	01/01/18-12/31/18	2,286,751	-	-	1,322,699	1,322,699	-	-	-
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	-	3,889,936	-	4,105,739	-	-	215,803
93.600	04CH4688/06	Head Start Training and Technical Assistance	U.S. Dept. of Health and Human Services	01/01/19-06/30/19	53,170	-	53,170	-	53,170	-	-	-
93.600	N/A	In-Kind Contributions	N/A	01/01/19-06/30/19	1,093,792	-	-	1,093,792	1,093,792	-	-	-
		Subtotal 93.600				223,679	9,146,430	2,417,670	11,556,224	-	-	215,803
Corporation for National and Community Service												
94.002	16SRSTN003	Retired Senior Volunteer Program	Corp. for National and Community Service	04/01/18-03/31/19	53,553	16,820	53,553	-	36,733	-	-	-
94.002	N/A	In-Kind Contributions	N/A	04/01/18-03/31/19	12,733	-	-	8,970	8,970	-	-	-
94.002	19SRSTN001	Retired Senior Volunteer Program	Corp. for National and Community Service	04/01/19-03/31/20	59,812	-	6,655	-	16,479	-	-	9,824
94.002	N/A	In-Kind Contributions	N/A	04/01/19-03/31/20	11,960	-	-	2,895	2,895	-	-	-
		Subtotal 94.002				16,820	60,208	11,865	65,077	-	-	9,824
Department of Homeland Security												
97.024	35-763400-005	Emergency Food & Shelter	United Way National Board - Carter Co.	02/01/18-01/31/19	6,000	-	6,000	-	6,000	-	-	-
97.024	35-768600-001	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Hancock Co.	02/01/18-01/31/19	2,800	-	2,800	-	2,800	-	-	-
97.024	35-769200-004	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Hawkins Co.	02/01/18-01/31/19	13,234	-	13,234	-	13,234	-	-	-
97.024	35-771000-001	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Johnson Co.	02/01/18-01/31/19	7,052	-	7,052	-	7,052	-	-	-
97.024	35-779800-001	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Unicoi Co.	02/01/18-01/31/19	9,196	-	9,196	-	9,196	-	-	-
		Subtotal 97.024				-	38,282	-	38,282	-	-	-
		Total Federal Financial Assistance				887,076	17,175,652	2,448,069	20,455,747	-	91,875	1,810,978
OTHER ASSISTANCE												
N/A	N/A	State Appropriated	State of TN	07/01/18-06/30/19	25,050	-	25,050	-	25,050	-	-	-
		Total Other Assistance				-	25,050	-	25,050	-	-	-
		Total - Special Revenue Fund				887,076	17,200,702	2,448,069	20,480,797	-	91,875	1,810,978
GENERAL AND LOCAL FUND ACTIVITY												
		Agency Operations	Donations, Interest Income			-	-	101,834	90,283	11,551	-	-
		TOTALS				\$ 887,076	\$ 17,200,702	\$ 2,549,903	\$ 20,571,080	\$ 11,551	\$ 91,875	\$ 1,810,978

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Program Activity (Continued)
Year Ended June 30, 2019

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	\$ (887,076)	Expenditures	\$ 20,571,080
Current grant receipts	17,200,702	In-kind contributions	<u>(2,428,356)</u>
Current grant funds received in advance	(91,875)		
Current grant receivable	1,810,978		
Deferred revenues	<u>(115,190)</u>		
Net grant and commodity revenue	17,917,539		
Other revenue	2,549,903		
In-kind	<u>(2,428,356)</u>		
Total revenues per		Total expenditures per	
statement of revenues, expenditures, and		statement of revenues, expenditures, and	
changes in fund balances (see page 16)	<u>\$ 18,039,086</u>	changes in fund balances (see page 16)	<u>\$ 18,142,724</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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	\$ 316,617
(Passed-Through Tennessee Department of Agriculture)			
The Emergency Food Assistance Program	10.568	66732	40,640
The Emergency Food Assistance Program	10.568	70727	60,626
Subtotal 10.568			101,266
Subtotal Food Distribution Cluster			417,883
(Passed-Through Tennessee Department of Human Services)			
Child and Adult Care Food Program	10.558	03-47-55965-00-9	76,507
Child and Adult Care Food Program	10.558	03-47-55965-00-9	261,760
Subtotal 10.558			338,267
U.S. DEPARTMENT OF ENERGY			
(Passed-Through Tennessee Housing Development Agency)			
Weatherization Assistance for Low-Income Persons	81.042	WAP-18-15	257,867
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	12,703
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	N/A	47,612
Subtotal 93.558			60,315
(Passed-Through Tennessee Housing Development Agency)			
Low-Income Home Energy Assistance Program	93.568	LIHEAP-17-19	584,551
Low-Income Home Energy Assistance Program	93.568	LIHEAP-18-19	5,727,206
Low-Income Home Energy Assistance Program	93.568	LWx-17-15	34,804
Low-Income Home Energy Assistance Program	93.568	LWx-18-15	153,852
Subtotal 93.568			6,500,413
(Passed-Through Tennessee Department of Human Services)			
Community Services Block Grant	93.569	Z18-49120A	238,699
Community Services Block Grant	93.569	Z19-49120	642,839
Community Services Block Grant	93.569	Z19-49120SP	321,348
Subtotal 93.569			1,202,886

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			
(includes delegate expenses of \$915,432)	93.600		\$ 4,937,038
Head Start Training and Technical Assistance			
(includes delegate expenses of \$13,554)	93.600		42,607
Head Start Full-Year, Part-Day			
(includes delegate expenses of \$845,711)	93.600		4,105,739
Head Start Training and Technical Assistance			
(includes delegate expenses of \$11,452)	93.600		<u>53,170</u>
Subtotal 93.600			<u>9,138,554</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Grant			
Retired Senior Volunteer Program	94.002		36,733
Retired Senior Volunteer Program	94.002		<u>16,479</u>
Subtotal 94.002			<u>53,212</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Grant			
Emergency Food and Shelter	97.024	35-768600-001	2,800
Emergency Food and Shelter	97.024	35-769200-004	13,234
Emergency Food and Shelter	97.024	35-771000-001	7,052
Emergency Food and Shelter	97.024	35-779800-001	9,196
(Passed-Through United Way National)			
Emergency Food and Shelter	97.024	35-763400-005	<u>6,000</u>
Subtotal 97.024			<u>38,282</u>
TOTAL FEDERAL PROGRAMS			<u>\$ 18,007,679</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, 2019

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, 2018 to June 30, 2019. 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, 2019, was 6.39%.

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, 2019, are as follows:

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 1,205,580
Johnson County Board of Education	<u>580,569</u>
Total	<u><u>\$ 1,786,149</u></u>

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	04CH4688/05	04CH4688/06	Total
Carter County Head Start	\$ 139,008	\$ 141,553	\$ 280,561
Johnson County Board of Education	<u>44,173</u>	<u>72,737</u>	<u>116,910</u>
Subtotal	183,181	214,290	397,471
UETHDA	<u>1,139,518</u>	<u>879,502</u>	<u>2,019,020</u>
Total Head Start in-kind	<u><u>\$ 1,322,699</u></u>	<u><u>\$ 1,093,792</u></u>	<u><u>\$ 2,416,491</u></u>

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, 2019, and the related notes to the financial statements, which collectively comprise UETHDA's basic financial statements and have issued our report thereon dated December 11, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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

Kingsport, Tennessee
December 11, 2019



**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, 2019. 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 program 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 the 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 its major federal program for the year ended June 30, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

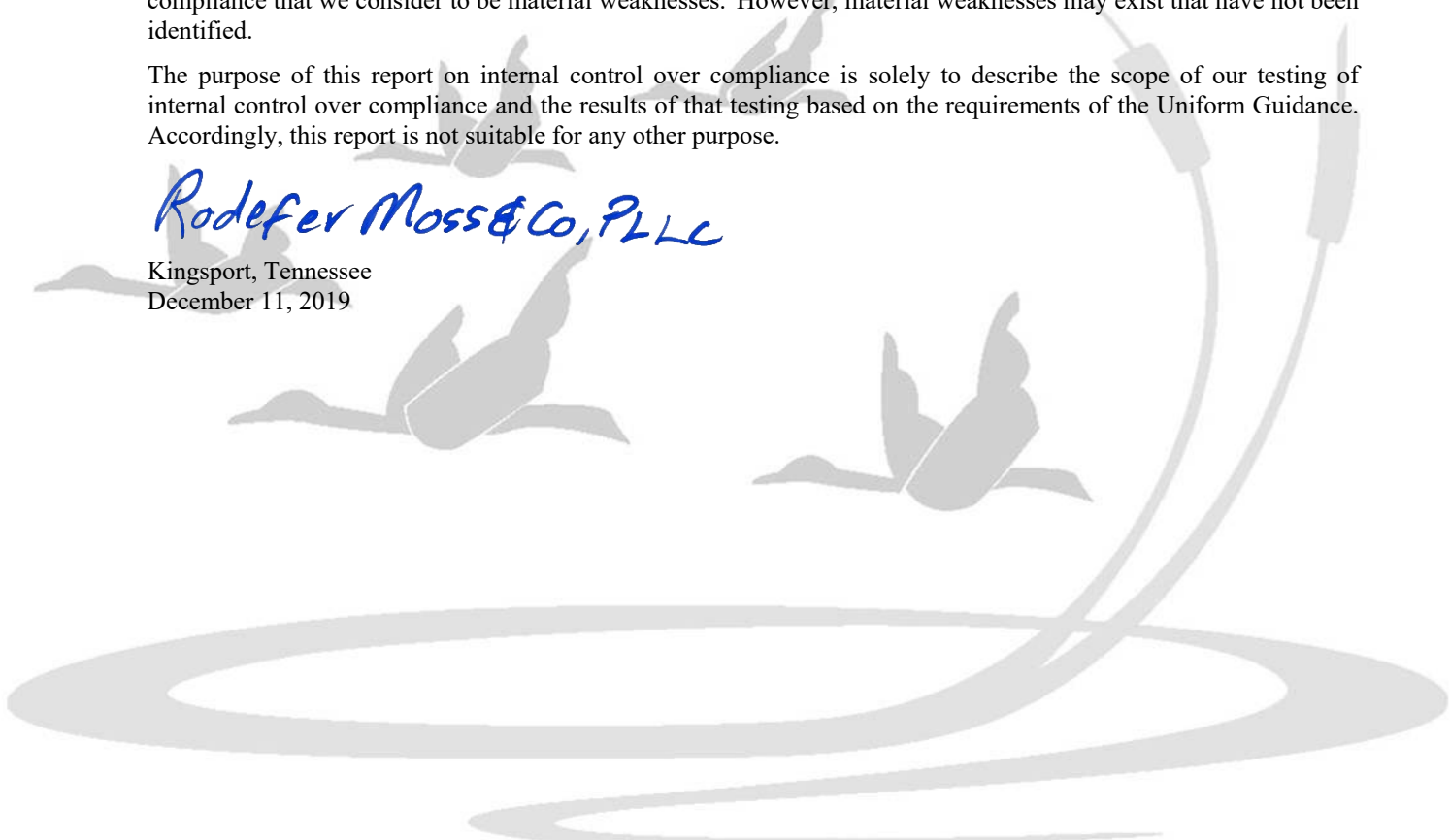
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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

Kingsport, Tennessee
December 11, 2019



UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	UNMODIFIED	
Internal control over financial reporting:	YES	NO
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	
Internal control over major programs:	YES	NO
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:		<u>\$ 750,000</u>

The major federal program for Upper East Tennessee Human Development Agency, Inc.
for the fiscal year ended June 30, 2019, is:

Program Name	CFDA
Head Start	93.600

II. Findings and Questioned Costs - Financial Statement Audit

There were no questioned costs identified during the year ended June 30, 2019.

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 Program

There were no questioned costs identified during the year ended June 30, 2019.

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

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

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

III. Detailed Findings

There were no 2019 findings.

IV. Prior Year Findings

There were no 2018 findings.