



**Upper East Tennessee  
Human Development Agency**

**UPPER EAST TENNESSEE HUMAN  
DEVELOPMENT AGENCY, INC.**

**FINANCIAL REPORT**

**June 30, 2021**



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## **INTRODUCTORY SECTION**

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**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**DIRECTORY OF OFFICERS AND DIRECTORS**

**June 30, 2021**

**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**

**Target Sector**

Margaret Collins  
Phyllis Delph (a)  
Bucky Carter  
Mindy Millhorn (a)  
Beverly McKinney  
Ruth Thomas (a)  
Sue Mallory  
Daris Morgan  
Carolyn Holt (a)  
Pat Grindstaff (a)  
Susan Payne  
Johnnie Mac Swagerty  
Van Dobbins (a)  
Kenneth Treadway  
Charles VonCannon

**Public Sector**

Patty Woodby, 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  
Garland “Bubba” Evely, Unicoi County Mayor  
Joe Grandy, Washington County Mayor  
Pat Wolfe (r)  
Col. Pat W. Schull, Kingsport City Mayor  
Jim Sells, Rogersville City Mayor  
Richard Venable, Sullivan County Mayor  
Carolyn Byrd (r)  
Senator Jon Lundberg

**Private Sector**

Cindy Anderson  
Chris Craig  
Henry Reyes  
Jessica Smith  
Dick Grayson  
Ann McConnell  
Sara Mietzner  
Polly Peterson

(r) Designated Representative

(a) Alternate

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S 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, 2021, 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.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2021, 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, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of Tennessee Consolidated Retirement System (TCRS) and related notes, the schedule of contributions based on participation in the public employee pension plan of TCRS, the notes to the schedule of contributions based on participation in the public employee pension plan of TCRS, and schedule of changes in total other postemployment benefits liability and related ratios and related notes 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 UETHDA's 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 not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, 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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee  
December 8, 2021

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

### Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2021

#### Financial Highlights

UETHDA's expenditures this fiscal year were \$22,786,694 compared to \$18,457,341 for the period July 1, 2019 through June 30, 2020. This was an overall increase in expenditures of \$4,329,353. This is primary the net of increases in expenditures in the Low-Income Home Energy Assistance Program \$2,762,123, Community Services Block Grant \$727,736, and Head Start \$1,237,781 and decreases in the Emergency Food Assistance Program (Food Commodities) \$212,587, Child and Adult Care Food Program \$125,488, and Weatherization Assistance Program \$157,214,

Additionally:

- UETHDA's overall financial position, as reflected in total net position, increased by \$309,696 due to current year activities.
- In governmental funds, the total fund balance increased by \$200,045.

#### 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 7 through 9 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. The governmental fund financial statements are on pages 11 through 14 of this report.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2021**

**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 15 of this report.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2021**

**Financial Analysis**

**UETHDA as a Whole**

**Net Position**

Table 1 below provides a summary of UETHDA's net position as of June 30, 2021 and 2020.

Table 1  
Condensed Statement of Net Position

|                                  | <u>Government-wide</u> |                     |
|----------------------------------|------------------------|---------------------|
|                                  | <u>2021</u>            | <u>2020</u>         |
| Current assets                   | \$ 2,460,177           | \$ 2,321,131        |
| Capital assets                   | 691,610                | 742,569             |
| Other assets                     | <u>300,309</u>         | <u>415,141</u>      |
| Total assets                     | <u>\$ 3,452,096</u>    | <u>\$ 3,478,841</u> |
| Deferred outflow of resources    | <u>\$ 572,034</u>      | <u>\$ 433,676</u>   |
| Current liabilities              | \$ 1,020,148           | \$ 1,007,119        |
| Long-term liabilities            | <u>360,007</u>         | <u>295,652</u>      |
| Total liabilities                | <u>\$ 1,380,155</u>    | <u>\$ 1,302,771</u> |
| Deferred inflow of resources     | <u>\$ 321,732</u>      | <u>\$ 597,199</u>   |
| Net investment in capital assets | \$ 691,610             | \$ 742,569          |
| Restricted - grant proceeds      | 185,373                | 201,422             |
| Restricted - net pension asset   | 300,309                | 415,141             |
| Unrestricted                     | <u>1,144,951</u>       | <u>653,415</u>      |
| Total net position               | <u>\$ 2,322,243</u>    | <u>\$ 2,012,547</u> |

In governmental activities, total assets and deferred outflow of resources increased by \$111,613, this is primarily due to an increase in pension and other postemployment benefit related items of \$138,358. Total liabilities and deferred inflow of resources decreased by \$198,083, this is primarily due to a net increase in liabilities of \$77,384 and a decrease in pension and other postemployment benefit related items of \$275,467. The change in net position is an increase of \$309,696.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2021**

**Financial Analysis (Continued)**

**Change in Net Position**

Table 2 summarizes the change in net position for the fiscal years ended June 30, 2021 and 2020.

Table 2  
Change in Net Position

|                                    | <u>2021</u>       | <u>Percentage<br/>of Funding</u> | <u>2020</u>       | <u>Percentage<br/>of Funding</u> |
|------------------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| Revenues:                          |                   |                                  |                   |                                  |
| Operating grants and contributions | \$ 22,839,512     | 99.17%                           | \$ 18,441,282     | 98.99%                           |
| Capital grants and contributions   | 167,906           | 0.73%                            | 131,413           | 0.71%                            |
| Miscellaneous                      | 22,644            | 0.10%                            | 52,166            | 0.28%                            |
| Interest and investment earnings   | <u>2,737</u>      | <u>0.01%</u>                     | <u>3,895</u>      | <u>0.02%</u>                     |
| Total revenues                     | <u>23,032,799</u> | <u>100.01%</u>                   | <u>18,628,756</u> | <u>100.00%</u>                   |
| Expenditures:                      |                   |                                  |                   |                                  |
| Child education                    | 10,535,777        | 46.37%                           | 9,572,152         | 51.54%                           |
| Community services programs        | 3,041,538         | 13.39%                           | 2,432,104         | 13.09%                           |
| Emergency shelter programs         | 218,195           | 0.96%                            | 131,281           | 0.71%                            |
| Nutrition programs                 | 123,159           | 0.54%                            | 248,647           | 1.34%                            |
| Senior programs                    | 78,009            | 0.34%                            | 68,923            | 0.37%                            |
| Weatherization/energy assistance   | 8,699,515         | 38.28%                           | 6,105,412         | 32.87%                           |
| Corporate activities               | <u>26,910</u>     | <u>0.12%</u>                     | <u>15,489</u>     | <u>0.08%</u>                     |
| Total expenditures                 | <u>22,723,103</u> | <u>100.00%</u>                   | <u>18,574,008</u> | <u>100.00%</u>                   |
| Change in net position             | <u>\$ 309,696</u> |                                  | <u>\$ 54,748</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.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2021**

**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 and weatherization/energy assistance were used to acquire grant-funded equipment, which has been capitalized in the statement of net position.

Table 3  
Net Cost of Governmental Activities

|                                  | <u>2021</u>          |                    | <u>2020</u>          |                    |
|----------------------------------|----------------------|--------------------|----------------------|--------------------|
|                                  | <u>Total Cost</u>    | <u>Net Cost</u>    | <u>Total Cost</u>    | <u>Net Cost</u>    |
|                                  | <u>of Services</u>   | <u>of Services</u> | <u>of Services</u>   | <u>of Services</u> |
| Child education                  | \$ 10,535,777        | \$ 97,767          | \$ 9,572,152         | \$ (146,863)       |
| Community services programs      | 3,041,538            | 131,053            | 2,432,104            | 88,346             |
| Emergency shelter programs       | 218,195              | 1,204              | 131,281              | 188                |
| Nutrition programs               | 123,159              | -                  | 248,647              | -                  |
| Senior programs                  | 78,009               | 460                | 68,923               | 1,131              |
| Weatherization/energy assistance | 8,699,515            | 80,182             | 6,105,412            | 69,375             |
| Corporate activities             | <u>26,910</u>        | <u>(26,351)</u>    | <u>15,489</u>        | <u>(13,490)</u>    |
| Totals                           | <u>\$ 22,723,103</u> | <u>\$ 284,315</u>  | <u>\$ 18,574,008</u> | <u>\$ (1,313)</u>  |

**Governmental Funds**

UETHDA completed the year with a total governmental fund balance of \$1,219,841 of which \$1,055,003 is general fund balance and \$164,838 is special revenue fund balance. This represents a decrease of \$3,308 in general fund balance from \$1,058,311 as of June 30, 2020, and an increase of \$203,353 in special revenue fund balance from \$(38,515) as of June 30, 2020.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2021

Financial Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At the end of the 2021 fiscal year, UETHDA had invested a cumulative amount of \$3,389,350 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 \$50,959. Additional information about capital assets can be found in Note 5, page 23. Total accumulated depreciation on these assets was \$2,697,740.

- UETHDA recognized depreciation expense of \$218,864 for governmental activities (see page 14).

Table 4  
Capital Assets

|                                    | <u>2020</u>        | <u>2019</u>        | <u>% Change</u> |
|------------------------------------|--------------------|--------------------|-----------------|
| Land                               | \$ 21,000          | \$ 21,000          | 0.00%           |
| Buildings and capital improvements | 901,764            | 946,950            | -4.77%          |
| Furniture and equipment            | 586,044            | 810,113            | -27.66%         |
| Vehicles                           | 1,880,542          | 1,811,959          | 3.79%           |
| Accumulated depreciation           | <u>(2,697,740)</u> | <u>(2,847,453)</u> | -5.26%          |
| Totals                             | <u>\$ 691,610</u>  | <u>\$ 742,569</u>  |                 |

In-Kind

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

Cost Allocation

UETHDA accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program's total direct expenditures. Administrative costs are those costs incurred for the common benefit of all UETHDA programs that cannot be readily identified with a final cost objective. This plan has been approved by the Tennessee Department of Human Services, the "state cognizant agency" for UETHDA. The Department of Health and Human Services, the "federal cognizant agency" for UETHDA, approved an indirect cost final rate of 6.67% for the year ended June 30, 2020. A rate of 6.67% will apply to subsequent periods as a provisional rate until amended.



**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2021**

**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 46% was provided under Head Start and approximately 38% 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.

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# **BASIC FINANCIAL STATEMENTS**

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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

## STATEMENT OF NET POSITION

June 30, 2021

**ASSETS****CURRENT ASSETS**

|                                    |            |
|------------------------------------|------------|
| Cash (Note 2)                      | \$ 515,405 |
| Receivables                        |            |
| Due from grantor agencies (Note 3) | 1,620,252  |
| Other accounts receivable          | 21,985     |
| Investments (Note 2)               | 68,469     |
| Prepaid expenses                   | 75,943     |
| Inventory                          | 158,123    |
|                                    | <hr/>      |
| Total current assets               | 2,460,177  |

**CAPITAL ASSETS (Note 5)**

|  |           |
|--|-----------|
| Land and building and capital improvements | 922,764   |
| Furniture and equipment                    | 586,044   |
| Vehicles                                   | 1,880,542 |
|  | <hr/>     |
|  | 3,389,350 |
| Less accumulated depreciation              | 2,697,740 |
|  | <hr/>     |
| Net capital assets                         | 691,610   |

**OTHER ASSETS**

|                            |           |
|----------------------------|-----------|
| Net pension asset (Note 8) | 300,309   |
|                            | <hr/>     |
| Total assets               | 3,452,096 |

**DEFERRED OUTFLOW OF RESOURCES**

|   |         |
|---|---------|
| Deferred outflows related to pensions (Note 8)                      | 524,887 |
| Deferred outflows related to other postemployment benefits (Note 9) | 47,147  |
|   | <hr/>   |
| Total deferred outflow of resources                                 | 572,034 |

**LIABILITIES****CURRENT LIABILITIES**

|                                      |           |
|--------------------------------------|-----------|
| Accounts payable                     | 294,625   |
| Accrued payroll and related expenses | 387,837   |
| Compensated absences, current        | 337,204   |
| Unearned revenues                    | 482       |
|                                      | <hr/>     |
| Total current liabilities            | 1,020,148 |

**LONG-TERM LIABILITIES**

|  |           |
|--|-----------|
| Compensated absences, net of current portion     | 84,301    |
| Other postemployment benefits liability (Note 9) | 275,706   |
|  | <hr/>     |
| Total long-term liabilities                      | 360,007   |
|  | <hr/>     |
| Total liabilities                                | 1,380,155 |

(Continued)

The Notes to Financial Statements are an integral part of this statement.

**EXHIBIT 1****UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.****STATEMENT OF NET POSITION****June 30, 2021****DEFERRED INFLOW OF RESOURCES**

|  |                |
|--|----------------|
| Deferred inflows related to pensions (Note 8)                      | \$ 202,245     |
| Deferred inflows related to other postemployment benefits (Note 9) | <u>119,487</u> |
| Total deferred inflow of resources                                 | <u>321,732</u> |

**NET POSITION**

|                                |                     |
|--------------------------------|---------------------|
| Investment in capital assets   | 691,610             |
| Restricted – grant proceeds    | 185,373             |
| Restricted – net pension asset | 300,309             |
| Unrestricted                   | <u>1,144,951</u>    |
| Total net position             | <u>\$ 2,322,243</u> |

The Notes to Financial Statements are an integral part of this statement.

## EXHIBIT 2

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021

| Functions/Programs               | Expenses      | Indirect<br>Expense<br>Allocation | Program Revenue                          |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|----------------------------------|---------------|-----------------------------------|--|--|--|
|                                  |               |                                   | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                 |
| Governmental activities:         |               |                                   |  |  |  |
| Program activities:              |               |                                   |  |  |  |
| General government               | \$ 1,147,659  | \$ (1,147,659)                    | \$ -                                     | \$ -                                   | \$ -   |
| Child education                  | 10,068,182    | 467,595                           | 10,534,221                               | 99,323                                 | 97,767   |
| Community services programs      | 2,876,373     | 165,165                           | 3,172,591                                | -                                      | 131,053  |
| Emergency shelter programs       | 212,983       | 5,212                             | 219,399                                  | -                                      | 1,204  |
| Nutrition programs               | 116,289       | 6,870                             | 123,159                                  | -                                      | -  |
| Senior programs                  | 74,468        | 3,541                             | 78,469                                   | -                                      | 460  |
| Energy assistance                | 8,200,239     | 499,276                           | 8,711,114                                | 68,583                                 | 80,182   |
| Total program activities         | 22,696,193    | -                                 | 22,838,953                               | 167,906                                | 310,666  |
| Support services:                |               |                                   |  |  |  |
| General government               | 3,939         | (3,939)                           | -  | -                                      | -  |
| Corporate activities             | 22,971        | 3,939                             | 559                                      | -                                      | (26,351)   |
| Total support services           | 26,910        | -                                 | 559                                      | -                                      | (26,351)   |
| Total organization               | \$ 22,723,103 | \$ -                              | \$ 22,839,512                            | \$ 167,906                             | 284,315  |
| General revenue:                 |               |                                   |  |  |  |
| Miscellaneous                    |               |                                   |  |  | 22,644   |
| Interest and investment earnings |               |                                   |  |  | 2,737  |
| Total general revenue            |               |                                   |  |  | 25,381   |
| Change in net position           |               |                                   |  |  | 309,696  |
| NET POSITION, beginning of year  |               |                                   |  |  | 2,012,547  |
| NET POSITION, end of year        |               |                                   |  |  | \$ 2,322,243   |

The Notes to Financial Statements are an integral part of this statement.



**FUND**  
**FINANCIAL STATEMENTS**

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## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2021**

|                                      | <u>General</u>      | <u>Special<br/>Revenue</u> | <u>Total</u>        |
|--------------------------------------|---------------------|----------------------------|---------------------|
| <b>ASSETS</b>                        |                     |                            |                     |
| Cash                                 | \$ 515,405          | \$ -                       | \$ 515,405          |
| Receivables:                         |                     |                            |                     |
| Due from grantor agencies            | -                   | 1,620,252                  | 1,620,252           |
| Other receivables                    | 12,785              | 9,200                      | 21,985              |
| Due from other funds                 | 408,111             | -                          | 408,111             |
| Investments                          | 68,469              | -                          | 68,469              |
| Prepaid expenses                     | 50,402              | 25,541                     | 75,943              |
| Inventory                            | -                   | 158,123                    | 158,123             |
|                                      | <u>-</u>            | <u>158,123</u>             | <u>158,123</u>      |
| Total assets                         | <u>\$ 1,055,172</u> | <u>\$ 1,813,116</u>        | <u>\$ 2,868,288</u> |
| <b>LIABILITIES</b>                   |                     |                            |                     |
| Accounts payable                     | \$ 169              | \$ 294,456                 | \$ 294,625          |
| Accrued payroll and related expenses | -                   | 387,837                    | 387,837             |
| Due to other funds                   | -                   | 408,111                    | 408,111             |
| Unearned/unavailable grant revenues  | -                   | 557,874                    | 557,874             |
|                                      | <u>-</u>            | <u>557,874</u>             | <u>557,874</u>      |
| Total liabilities                    | <u>169</u>          | <u>1,648,278</u>           | <u>1,648,447</u>    |
| <b>FUND BALANCES</b>                 |                     |                            |                     |
| Nonspendable:                        |                     |                            |                     |
| Inventory                            | -                   | 158,123                    | 158,123             |
| Prepaid expenses                     | 50,402              | 25,541                     | 75,943              |
| Restricted                           | -                   | 185,373                    | 185,373             |
| Unassigned                           | 1,004,601           | (204,199)                  | 800,402             |
|                                      | <u>1,004,601</u>    | <u>(204,199)</u>           | <u>800,402</u>      |
| Total fund balances                  | <u>1,055,003</u>    | <u>164,838</u>             | <u>1,219,841</u>    |
| Total liabilities and fund balances  | <u>\$ 1,055,172</u> | <u>\$ 1,813,116</u>        | <u>\$ 2,868,288</u> |

The Notes to Financial Statements are an integral part of this statement.

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2021**

|  |                                   |
|--|-----------------------------------|
| <b>Total fund balance – governmental funds</b>   | <b>\$ 1,219,841</b>               |
| 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  | \$ 3,389,350                      |
| Less governmental accumulated depreciation   | <u>2,697,740</u>                  |
| Net capital assets   | 691,610                           |
| 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:  |                                   |
| Unavailable amounts due from grantor agencies  | 557,392                           |
| 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:                   |                                   |
| Compensated absences   | (421,505)                         |
| 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  | 524,887                           |
| Deferred outflows related to other postemployment benefits   | 47,147                            |
| Deferred inflows related to pensions   | (202,245)                         |
| Deferred inflows related to other postemployment benefits  | <u>(119,487)</u>                  |
| Net deferral of resources  | 250,302                           |
| Net pension assets of the agency are not current financial resources and therefore are not reported in the governmental funds.   | 300,309                           |
| Other postemployment benefits liability of the agency represents a long-term liability for which future funds will be necessary to fund.   | <u>(275,706)</u>                  |
| <b>Total net position – governmental activities</b>  | <b><u><u>\$ 2,322,243</u></u></b> |

The Notes to Financial Statements are an integral part of this statement.

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2021**

|  | <b>General<br/>Fund</b>   | <b>Special<br/>Revenue<br/>Fund</b> | <b>Total</b>              |
|--|---------------------------|-------------------------------------|---------------------------|
| REVENUES   |                           |                                     |                           |
| Grants   | \$ -                      | \$ 22,230,058                       | \$ 22,230,058             |
| Local contributions                                  | 559                       | 260,668                             | 261,227                   |
| Other  | 18,389                    | 4,255                               | 22,644                    |
| Interest income                                      | 2,737                     | -                                   | 2,737                     |
| Commodities  | -                         | 470,073                             | 470,073                   |
|  | <hr/>                     | <hr/>                               | <hr/>                     |
| Total revenues                                       | 21,685                    | 22,965,054                          | 22,986,739                |
|  | <hr/>                     | <hr/>                               | <hr/>                     |
| EXPENDITURES   |                           |                                     |                           |
| Salaries   | 8,602                     | 6,126,446                           | 6,135,048                 |
| Fringe benefits                                      | 2,356                     | 1,927,094                           | 1,929,450                 |
| Travel   | 25                        | 99,561                              | 99,586                    |
| Communications                                       | 939                       | 181,401                             | 182,340                   |
| Utilities  | 6                         | 54,468                              | 54,474                    |
| Office supplies                                      | 18                        | 121,109                             | 121,127                   |
| Program supplies                                     | 5,621                     | 893,425                             | 899,046                   |
| Maintenance and repairs                              | 45                        | 408,853                             | 408,898                   |
| Rental buildings                                     | -                         | 193,983                             | 193,983                   |
| Contractual  | 77                        | 225,874                             | 225,951                   |
| Delegate agencies                                    | -                         | 2,054,150                           | 2,054,150                 |
| Equipment rent                                       | -                         | 14,729                              | 14,729                    |
| Equipment (sensitive minor)                          | -                         | 158,743                             | 158,743                   |
| Equipment and capital improvements                   | -                         | 167,906                             | 167,906                   |
| Insurance  | -                         | 37,614                              | 37,614                    |
| Advertising  | -                         | 40,187                              | 40,187                    |
| Direct client assistance                             | 1,831                     | 8,296,890                           | 8,298,721                 |
| Other  | 1,286                     | 49,056                              | 50,342                    |
| Training   | 248                       | 207,834                             | 208,082                   |
| Indirect costs                                       | 3,939                     | 1,147,659                           | 1,151,598                 |
| Commodities distributed                              | -                         | 354,719                             | 354,719                   |
|  | <hr/>                     | <hr/>                               | <hr/>                     |
| Total expenditures                                   | 24,993                    | 22,761,701                          | 22,786,694                |
|  | <hr/>                     | <hr/>                               | <hr/>                     |
| Excess (deficiency) of revenues<br>over expenditures | (3,308)                   | 203,353                             | 200,045                   |
| FUND BALANCES, beginning of year                     | <hr/> 1,058,311           | <hr/> (38,515)                      | <hr/> 1,019,796           |
| FUND BALANCES, end of year                           | <hr/> <u>\$ 1,055,003</u> | <hr/> <u>\$ 164,838</u>             | <hr/> <u>\$ 1,219,841</u> |

The Notes to Financial Statements are an integral part of this statement.

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021**

**Net change in fund balances – total governmental funds** \$ 200,045

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 expense in the Statement of Activities.

|  |            |  |
|--|------------|--|
| Capital outlay reported in governmental fund statements      | \$ 167,905 |  |
| Depreciation expense reported in the Statement of Activities | (218,864)  |  |
|  |            |  |

|  |  |          |
|--|--|----------|
| Amount by which depreciation is more than capital acquisitions in the current period |  | (50,959) |
|--|--|----------|

Revenues are reported in the governmental funds if they provide current financial resources to liquidate liabilities of the current period.

|                      |  |        |
|----------------------|--|--------|
| Unavailable revenues |  | 46,062 |
|----------------------|--|--------|

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 | (349,604) |  |
| Accrued vacation and personal leave paid   | 199,492   |  |
|  |           |  |

|  |  |           |
|--|--|-----------|
| Net accrued vacation and personal leave earned |  | (150,112) |
|--|--|-----------|

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                       | (78,298) |  |
| Other postemployment benefits expense recognized in the Statement of Activities | (18,901) |  |
| Pension expense recognized in the governmental funds                            | 361,859  |  |
|   |          |  |

|   |  |         |
|---|--|---------|
| Net difference in the amount of pension and other postemployment benefit expense recognized |  | 264,660 |
|---|--|---------|

|   |  |                   |
|---|--|-------------------|
| <b>Change in net position – governmental activities</b> |  | <b>\$ 309,696</b> |
|---|--|-------------------|

The Notes to Financial Statements are an integral part of this statement.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**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.

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 (the "State"), UETHDA reports to the State under the jurisdiction of GASB rather than Financial Accounting Standards Board (FASB). Therefore, this organization must follow the same guidelines as any other governmental unit in the State.

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.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 1. Summary of Significant Accounting Policies (Continued)**

Basis of presentation (Continued)

*Fund Financial Statements (Continued)*

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 various local grants that have been received for a specific spending purpose. 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.

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.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 1. Summary of Significant Accounting Policies (Continued)**

Measurement focus and basis of accounting (Continued)

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 prepaids) or legally or contractually required to be maintained intact.

*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.

(Continued)



UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**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. Capital assets with a cost of \$5,000 or more and a useful life that exceeds one year are depreciated using the straight-line depreciation method over the estimated useful life of the asset.

Estimated useful lives of capital assets reported in UETHDA's financial statements are as follows:

|                                    | <b>Estimated<br/>Useful Life<br/>(In Years)</b> |
|------------------------------------|---|
| Land                               | N/A   |
| Buildings and capital improvements | 7-30  |
| Furniture and equipment            | 3-15  |
| Vehicles                           | 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 (unearned revenues) may exist at year end. 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 primarily 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. Inventory also consists of materials on hand that are used in the Weatherization Assistance Program.

Investments

Investments are recorded at fair value.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 1. Summary of Significant Accounting Policies (Continued)**

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, 2021. 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 reports 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. UETHDA has two items that qualify for reporting in this category; deferred outflows related to pensions and deferred outflows related to OPEB. Deferred outflows for pensions and OPEB occur when there are differences between expected and actual experience, change in assumptions or contributions made after the measurement date, as well as differences between expected and actual investment earnings. These items result from the requirements recognized under GASB 68 for pensions and GASB 75 for OPEB. The deferred outflows related to pensions reflect payments made by UETHDA not currently recognized by the pension plans and the deferred outflows related to OPEB reflect the present value of projected future benefits.

In addition to liabilities, the statement of net position reports 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. UETHDA has two types of deferred inflows. These are related to the recognition of employee pensions and OPEB as required under GASB 68 and GASB 75 respectively. Deferred inflows for pension and OPEB occur when there are differences in expected and actual experience, differences in expected and actual investment earnings, and changes in assumptions.

Pension plan

For purposes of measuring the net pension asset, 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.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 1. Summary of Significant Accounting Policies (Continued)**

Other postemployment benefits (OPEB)

For purposes of measuring the 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 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 (IRS).

Budgetary accounting

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

Delegate agencies

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

Cost allocation

UETHDA accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program's total direct expenditures. Administrative costs are those costs incurred for the common benefit of all UETHDA programs that cannot be readily identified with a final cost objective. This plan has been approved by the Department of Health and Human Services. The approved provisional rate for the year ended June 30, 2021, was 6.67%.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**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 consisted of the following:

|                                  | <u>Bank Balance</u> | <u>Carrying Value</u> |
|----------------------------------|---------------------|-----------------------|
| Cash with financial institutions | \$ 575,493          | \$ 515,405            |

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, 2021, was a certificate of deposit issued by Citizens Bank which matured October 24, 2021, and was not renewed further.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 3. Receivable – Due from Grantor Agencies**

Receivables from grantor agencies consisted of the following:

|         |                            |
|---------|----------------------------|
| Federal | \$ 296,200                 |
| State   | <u>1,324,052</u>           |
|         | <u><u>\$ 1,620,252</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.

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

| <u>Type of Revenue</u>                    | <u>Unearned</u> | <u>Unavailable</u>       |
|---|-----------------|--------------------------|
| State grant funding                       | \$ -            | \$ 557,392               |
| Federal grant funding                     | <u>482</u>      | <u>-</u>                 |
| Government-wide unearned revenues         | <u>\$ 482</u>   |                          |
| Special revenue fund unavailable revenues |                 | <u><u>\$ 557,392</u></u> |

**Note 4. 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, 2021, was \$115,354.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 5. Capital Assets**

Capital asset balances and activity for the year consisted of the following:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Transfers/<br/>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|---------------------------------|---------------------------|
| <b>Governmental activities</b>                                    |                              |                    |                                 |                           |
| Capital assets not being depreciated:                             |                              |                    |                                 |                           |
| Land  | \$ 21,000                    | \$ -               | \$ -                            | \$ 21,000                 |
| Capital assets being depreciated:                                 |                              |                    |                                 |                           |
| Buildings and capital improvements                                | 946,950                      | 62,387             | (107,573)                       | 901,764                   |
| Furniture and equipment   | 810,113                      | 36,935             | (261,004)                       | 586,044                   |
| Vehicles  | 1,811,959                    | 68,583             | -                               | 1,880,542                 |
| Total capital assets being depreciated                            | <u>3,569,022</u>             | <u>167,905</u>     | <u>(368,577)</u>                | <u>3,368,350</u>          |
| Less accumulated depreciation:                                    |                              |                    |                                 |                           |
| Buildings and capital improvements                                | 626,674                      | 35,265             | (107,573)                       | 554,366                   |
| Furniture and equipment   | 777,884                      | 35,128             | (261,004)                       | 552,008                   |
| Vehicles  | 1,442,895                    | 148,471            | -                               | 1,591,366                 |
| Total accumulated depreciation                                    | <u>2,847,453</u>             | <u>218,864</u>     | <u>(368,577)</u>                | <u>2,697,740</u>          |
| Capital assets being depreciated, net of accumulated depreciation | <u>721,569</u>               | <u>(50,959)</u>    | <u>-</u>                        | <u>670,610</u>            |
| Governmental activities capital assets, net                       | <u>\$ 742,569</u>            | <u>\$ (50,959)</u> | <u>\$ -</u>                     | <u>\$ 691,610</u>         |

Depreciation expense for the year ended June 30, 2021, was \$218,864. This total is broken out by program as follows:

|  |                   |
|--|-------------------|
| Governmental activities                              |                   |
| Child education                                      | \$ 198,667        |
| Community services programs                          | 3,117             |
| Weatherization                                       | 15,164            |
| Local  | <u>1,916</u>      |
| Total depreciation expense – governmental activities | <u>\$ 218,864</u> |

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 6. Long-Term Liabilities**

Long-term liability balances and activity for the year consisted of the following:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Current<br/>Portion</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|----------------------------|
| Accrued annual leave                                | \$ 271,393                   | \$ 349,604        | \$ (199,492)        | \$ 421,505                | \$ 337,204                 |
| Other postemployment benefits liability             | 241,373                      | 63,200            | (28,867)            | 275,706                   | -                          |
| Total governmental activities long-term liabilities | <u>\$ 512,766</u>            | <u>\$ 412,804</u> | <u>\$ (228,359)</u> | <u>\$ 697,211</u>         | <u>\$ 337,204</u>          |

**Note 7. Restricted Net Position**

Restricted net position consisted of the following at June 30, 2021:

|                                  |                   |
|----------------------------------|-------------------|
| Community Services Local         | \$ 180,095        |
| Head Start Local                 | 730               |
| Reading is Fundamental Donations | <u>4,548</u>      |
|                                  | <u>\$ 185,373</u> |

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

**Note 8. 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 (TCA), 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>.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 8. Retirement Plan (Continued)**

General information about the pension plan (Continued)

*Benefits Provided*

TCA 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 2<sup>nd</sup> 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, 2020, the following employees were covered by the benefit terms:

|  |       |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefits | 95    |
| Inactive employees entitled to but not yet receiving benefits    | 421   |
| Active employees   | 243   |
|  | <hr/> |
|  | 759   |

*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, 2021, employer contributions for UETHDA were \$369,093 based on a rate of 5.54% 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.

(Continued)



UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 8. Retirement Plan (Continued)**

Net pension liability (asset)

UETHDA's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability as of June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50%   |
| Salary increases          | Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00% |
| Investment rate of return | 7.25%, net of pension plan investment expenses, including inflation                         |
| Cost-of-living adjustment | 2.25%   |

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

The actuarial assumptions used in the June 30, 2020, 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 2.50 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:

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 8. Retirement Plan (Continued)**

Net pension liability (asset) (Continued)

*Actuarial Assumptions (Continued)*

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

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from UETHDA will be made at the ADC 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.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 8. Retirement Plan (Continued)**

Changes in net pension liability (asset)

|                                     | <u><b>Total Pension<br/>Liability</b></u> | <u><b>Plan Fiduciary<br/>Net Position</b></u> | <u><b>Net Pension<br/>Liability (Asset)</b></u> |
|-------------------------------------|---|---|---|
| Balance at June 30, 2019            | \$ 13,965,251                             | \$ 14,380,392                                 | \$ (415,141)                                    |
| Changes for the year:               |   |   |   |
| Service cost                        | 479,808                                   | -   | 479,808   |
| Interest                            | 1,024,609                                 | -   | 1,024,609                                       |
| Expected vs. actual experience      | (98,440)                                  | -   | (98,440)  |
| Changes in assumptions              | -   | -   | -   |
| Contributions – employer            | -   | 314,260                                       | (314,260)                                       |
| Contributions – employee            | -   | 283,632                                       | (283,632)                                       |
| Net investment income               | -   | 712,138                                       | (712,138)                                       |
| Benefit payments, including refunds | (625,052)                                 | (625,052)                                     | -   |
| Administrative expense              | -   | (18,885)                                      | 18,885  |
| Net changes                         | <u>780,925</u>                            | <u>666,093</u>                                | <u>114,832</u>                                  |
| Balance at June 30, 2020            | <u>\$ 14,746,176</u>                      | <u>\$ 15,046,485</u>                          | <u>\$ (300,309)</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%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

|                               | <u><b>1.00%<br/>Decrease<br/>(6.25%)</b></u> | <u><b>Current<br/>Discount Rate<br/>(7.25%)</b></u> | <u><b>1.00%<br/>Increase<br/>(8.25%)</b></u> |
|-------------------------------|--|---|--|
| Net pension liability (asset) | <u>\$ 1,766,394</u>                          | <u>\$ (300,309)</u>                                 | <u>\$ (1,964,786)</u>                        |

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

*Pension Expense*

For the year ended June 30, 2021, UETHDA recognized pension expense of \$85,532.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 8. Retirement Plan (Continued)**

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (Continued)

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2021, UETHDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Difference between expected and actual experience                    | \$ -  | \$ 202,245                                   |
| Difference between projected and actual earnings on investments, net | 110,136                                       | -  |
| Changes in assumptions   | 45,658  | -  |
| Contributions subsequent to the measurement date of June 30, 2020    | 369,093                                       | -  |
|  | <u>\$ 524,887</u>                             | <u>\$ 202,245</u>                            |

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020”, 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:

| <u><b>Year Ending June 30,</b></u> |                    |
|------------------------------------|--------------------|
| 2022                               | \$ (151,722)       |
| 2023                               | 3,611              |
| 2024                               | 35,905             |
| 2025                               | 65,754             |
| 2026                               | -                  |
| Thereafter                         | -                  |
|                                    | <u>\$ (46,452)</u> |

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

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 8. Retirement Plan (Continued)**

Payable to the pension plan

At June 30, 2021, UETHDA reported a payable of \$70,289 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

**Note 9. Other Postemployment Benefits (OPEB) – Local Government 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 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.

*Employees Covered by Benefit Terms*

At July 1, 2020, 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  | 211 |

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 9. Other Postemployment Benefits (OPEB) – Local Government Plan (Continued)**

General information about the OPEB plan (Continued)

*Employees Covered by Benefit Terms (Continued)*

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, 2021, UETHDA paid \$3,504 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, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|  |   |
|--|---|
| Inflation                                | 2.10%   |
| Salary increases                         | Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%   |
| Healthcare cost trend rates              | 6.03% for pre-65 in 2019, decreasing annually over a 10-year period, to an ultimate rate of 4.50%.<br>5.20% for post-65 in 2019, decreasing annually over a 4-year period to an ultimate rate of 4.50%.   |
| Retiree's share of benefit-related costs | Members are required to make monthly contributions in order to maintain their coverage.<br>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, 2020, valuations were the same as those employed in the July 1, 2019 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 through 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.

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Other Postemployment Benefits (OPEB) – Local Government Plan (Continued)**

Total OPEB liability (Continued)

*Discount rate*

The discount rate used to measure the total OPEB liability was 2.21 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.

*Changes in the Total OPEB Liability*

|   | <b><u>Total OPEB<br/>Liability</u></b> |
|---|--|
| Balance at June 30, 2019                          | \$ 241,373                             |
| Changes for the year:                             |  |
| Service cost                                      | 27,920                                 |
| Interest  | 9,405                                  |
| Difference between expected and actual experience | (26,135)                               |
| Changes in assumptions                            | 25,875                                 |
| Benefit payments                                  | <u>(2,732)</u>                         |
| Net changes                                       | <u>34,333</u>                          |
| Balance at June 30, 2020                          | <u><u>\$ 275,706</u></u>               |

*Changes in assumptions*

The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. 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.

|                      | <b><u>Discount Rate Assumption</u></b>       |                                   |  |
|----------------------|--|-----------------------------------|--|
|                      | <b><u>1.00%<br/>Decrease<br/>(1.21%)</u></b> | <b><u>Current<br/>(2.21%)</u></b> | <b><u>1.00%<br/>Increase<br/>(3.21%)</u></b> |
| Total OPEB liability | \$ 299,760                                   | \$ 275,706                        | \$ 253,049                                   |

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Other Postemployment Benefits (OPEB) – Local Government Plan (Continued)**

Total OPEB liability (Continued)

*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.

|                      | <b>Healthcare Cost Trend Rate Assumption</b>                            |   |   |
|----------------------|---|---|---|
|                      | <b>1.00%<br/>Decrease<br/>(8.02%/9.56%<br/>Decreasing<br/>to 3.50%)</b> | <b>Current<br/>(9.02%/10.56%<br/>Decreasing<br/>to 4.50%)</b> | <b>1.00%<br/>Increase<br/>(10.02%/11.56%<br/>% Decreasing<br/>to 5.50%)</b> |
| Total OPEB liability | \$ 239,200  | \$ 275,706  | \$ 319,286  |

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

*OPEB expense*

For the year ended June 30, 2021, UETHDA recognized OPEB expense of \$22,405.

*Deferred outflows of resources and deferred inflows of resources*

For the fiscal year ended June 30, 2021, UETHDA reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Difference between expected and actual experience    | \$ -  | \$ (111,148)                                 |
| Changes in assumptions                               | 43,643  | -  |
| Employer payments subsequent to the measurement date | 3,504   | (8,339)                                      |
|  | <u>\$ 47,147</u>                              | <u>\$ (119,487)</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.

(Continued)



UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 9. Other Postemployment Benefits (OPEB) – Local Government Plan (Continued)**

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB  
(Continued)

*Deferred outflows of resources and deferred inflows of resources (Continued)*

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

| <u>Year Ending June 30,</u> |             |
|-----------------------------|-------------|
| 2022                        | \$ (14,920) |
| 2023                        | (14,920)    |
| 2024                        | (14,920)    |
| 2025                        | (14,920)    |
| 2026                        | (14,562)    |
| Thereafter                  | (1,602)     |

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

**Note 10. 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 46% of revenues were Head Start monies received under a grant from the U.S. Department of Health and Human Services. The other 54% 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.

**Note 11. 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.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 12. Operating Lease Agreements**

UETHDA leases various facilities for operation of its programs. Rentals paid for real estate for the year ended June 30, 2021 totaled \$194,235. 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 13. Delegate Expenditures**

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

| <u>Delegate Agency</u>            | <u>Federal<br/>Head Start</u> |
|-----------------------------------|-------------------------------|
| Carter County Head Start          | \$ 1,340,212                  |
| Johnson County Board of Education | <u>713,938</u>                |
|                                   | <u>\$ 2,054,150</u>           |

**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.

**Note 15. COVID-19 Impact**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

UETHDA's operations are heavily dependent on access to grants and contracts from federal and state governments that may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which UETHDA received revenue during fiscal year 2021.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 15. COVID-19 Impact (Continued)**

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on UETHDA's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, UETHDA is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

**Note 16. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In June 2017, the GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 16. New Accounting Standards (Continued)**

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**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**  
**Year Ended June 30, 2021**

|   | Plan Year           |                     |                     |                   |                   |                   |                     |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|
|   | 2020                | 2019                | 2018                | 2017              | 2016              | 2015              | 2014                |
| <b>Total Pension Liability</b>  |                     |                     |                     |                   |                   |                   |                     |
| Service cost  | \$ 479,808          | \$ 459,037          | \$ 416,709          | \$ 402,707        | \$ 364,632        | \$ 342,550        | \$ 337,222          |
| Interest  | 1,024,609           | 963,945             | 931,586             | 893,957           | 862,261           | 787,308           | 713,169             |
| Expected vs. actual experience  | (98,440)            | (25,434)            | (401,952)           | (76,055)          | (336,351)         | 338,444           | 395,318             |
| Change of assumptions   | -                   | -                   | -                   | 228,294           | -                 | -                 | -                   |
| Benefit payments, including refunds of employee contributions             | (625,052)           | (538,094)           | (546,599)           | (519,144)         | (492,857)         | (489,162)         | (435,857)           |
| Net change in total pension liability                                     | 780,925             | 859,454             | 399,744             | 929,759           | 397,685           | 979,140           | 1,009,852           |
| <b>Total pension liability – beginning</b>                                | <b>13,965,251</b>   | <b>13,105,797</b>   | <b>12,706,053</b>   | <b>11,776,294</b> | <b>11,378,609</b> | <b>10,399,469</b> | <b>9,389,617</b>    |
| <b>Total pension liability – ending</b>                                   | <b>14,746,176</b>   | <b>13,965,251</b>   | <b>13,105,797</b>   | <b>12,706,053</b> | <b>11,776,294</b> | <b>11,378,609</b> | <b>10,399,469</b>   |
| <b>Plan Fiduciary Net Position</b>  |                     |                     |                     |                   |                   |                   |                     |
| Contributions – employer  | 314,260             | 333,892             | 281,761             | 264,771           | 169,772           | 172,693           | 303,861             |
| Contributions – employee  | 283,632             | 260,856             | 247,218             | 223,249           | 212,217           | 215,869           | 191,350             |
| Net investment income   | 712,138             | 995,295             | 1,024,550           | 1,260,801         | 289,724           | 329,866           | 1,528,488           |
| Benefit payments, including refunds of employee contributions             | (625,052)           | (538,094)           | (546,599)           | (519,144)         | (492,857)         | (489,162)         | (435,857)           |
| Administrative expenses   | (18,885)            | (20,260)            | (20,279)            | (15,304)          | (15,605)          | (10,790)          | (7,443)             |
| Other changes   | -                   | -                   | -                   | -                 | 14,638            | -                 | -                   |
| Net change in plan fiduciary net position                                 | 666,093             | 1,031,689           | 986,651             | 1,214,373         | 177,889           | 218,476           | 1,580,399           |
| <b>Plan fiduciary net position – beginning</b>                            | <b>14,380,392</b>   | <b>13,348,703</b>   | <b>12,362,052</b>   | <b>11,147,679</b> | <b>10,969,790</b> | <b>10,751,314</b> | <b>9,170,915</b>    |
| <b>Plan fiduciary net position – ending</b>                               | <b>15,046,485</b>   | <b>14,380,392</b>   | <b>13,348,703</b>   | <b>12,362,052</b> | <b>11,147,679</b> | <b>10,969,790</b> | <b>10,751,314</b>   |
| <b>Net pension (asset ) liability</b>                                     | <b>\$ (300,309)</b> | <b>\$ (415,141)</b> | <b>\$ (242,906)</b> | <b>\$ 344,001</b> | <b>\$ 628,615</b> | <b>\$ 408,819</b> | <b>\$ (351,845)</b> |
| Plan fiduciary net position as a percentage of total pension liability    | 102.04%             | 102.97%             | 101.85%             | 97.29%            | 94.66%            | 96.41%            | 103.38%             |
| Covered-employee payroll  | \$ 5,672,577        | \$ 5,217,056        | \$ 4,751,456        | \$ 4,464,928      | \$ 4,244,291      | \$ 4,317,321      | \$ 3,826,968        |
| Net pension (asset) liability as a percentage of covered-employee payroll | -5.29%              | -7.96%              | -5.11%              | 7.70%             | 14.81%            | 9.47%             | -9.19%              |

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 schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**Year Ended June 30, 2021**

| <b>Entity Fiscal<br/>Year Ended<br/>June 30,</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Contributions<br/>in Relation to<br/>the Actuarially<br/>Determined<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered-<br/>Employee<br/>Payroll</b> | <b>Contributions<br/>as a Percentage<br/>of Covered-<br/>Employee<br/>Payroll</b> |
|--|--|---|---|--|---|
| 2021   | \$ 369,093   | \$ 369,093  | \$ -  | \$ 6,662,310                             | 5.54 %  |
| 2020   | 314,260  | 314,260   | -   | 5,672,576                                | 5.54  |
| 2019   | 333,892  | 333,892   | -   | 5,217,056                                | 6.40  |
| 2018   | 281,761  | 281,761   | -   | 4,751,456                                | 5.93  |
| 2017   | 264,771  | 264,771   | -   | 4,464,928                                | 5.93  |
| 2016   | 169,771  | 169,771   | -   | 4,244,291                                | 4.00  |
| 2015   | 172,693  | 172,693   | -   | 4,317,321                                | 4.00  |
| 2014   | 303,861  | 303,861   | -   | 3,826,968                                | 7.94  |

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

The Notes to the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS is an integral part of this schedule.

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO THE SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION  
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

**June 30, 2021**

**Note 1. Valuation Date**

Actuarially determined contribution rates for 2021 we calculated based on the June 30, 2019, 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% corridor to market value 2.50%   |
| Inflation                     | 2.50%  |
| Salary increases              | Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%          |
| Investment rate of return     | 7.25%, 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%  |

**Note 3. Changes of Assumptions**

The mortality improvement assumption adopted with the 2016 experience study utilizes the most current projection scale published by the Society of Actuaries as of the actuarial valuation date. As of June 30, 2020, the projection scale was updated from Scale MP-2018 to Scale MP-2019. This change was included with other experience gains or losses.

No other changes were made to the plan provisions, actuarial assumptions, or methods effective June 30, 2020.



## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS**  
**AND RELATED RATIOS AND RELATED NOTES**  
**Year Ended June 30, 2021**

|  | Fiscal Year Ended   |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 2021                | 2020                | 2019                | 2018                |
| <b>Total Other Postemployment Benefit Liability</b>                                      |                     |                     |                     |                     |
| Service cost   | \$ 27,920           | \$ 27,065           | \$ 21,988           | \$ 22,762           |
| Interest   | 9,405               | 11,383              | 10,399              | 8,124               |
| Expected vs. actual experience   | (26,135)            | (102,075)           | (23,861)            | -                   |
| Change of assumptions  | 25,875              | 19,077              | 11,643              | (14,751)            |
| Benefit payments   | (2,732)             | (2,904)             | (2,921)             | -                   |
| Net change in total pension liability  | 34,333              | (47,454)            | 17,248              | 16,135              |
| <b>Total other postemployment benefit liability – beginning</b>                          | <u>241,373</u>      | <u>288,827</u>      | <u>271,579</u>      | <u>255,444</u>      |
| <b>Total other postemployment benefit liability – ending</b>                             | <u>\$ 275,706</u>   | <u>\$ 241,373</u>   | <u>\$ 288,827</u>   | <u>\$ 271,579</u>   |
| Covered-employee payroll   | <u>\$ 4,990,880</u> | <u>\$ 4,255,412</u> | <u>\$ 4,471,811</u> | <u>\$ 4,172,840</u> |
| Total other postemployment benefit liability as a percentage of covered-employee payroll | <u>5.52%</u>        | <u>5.67%</u>        | <u>6.46%</u>        | <u>6.51%</u>        |

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 schedule is intended to show information for 10 years. Additional years will be included as they become available.

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**OTHER  
SUPPLEMENTARY INFORMATION**

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**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021**

| <b>Federal Grantor/Pass-Through Grantor/Program Title</b>                    | <b>Federal Assistance Listing Number</b> | <b>Grantor Agency Award Number</b> | <b>Federal Expenditures</b> |
|--|--|------------------------------------|-----------------------------|
| U.S. Department of Agriculture:  |  |                                    |                             |
| Passed-Through Tennessee Department of Agriculture:                          |  |                                    |                             |
| Food Distribution Cluster:   |  |                                    |                             |
| Emergency Food Assistance Program (Food Commodities)<br>(Noncash assistance) | 10.569                                   | N/A                                | \$ 354,719                  |
| Emergency Food Assistance Program (Administrative Costs)                     | 10.568                                   | 75681                              | 23,867                      |
| Emergency Food Assistance Program (Administrative Costs)                     | 10.568                                   | 79736                              | 75,085                      |
|  |  |                                    | 98,952                      |
|  |  |                                    | 453,671                     |
| Passed-Through Tennessee Department of Human Services:                       |  |                                    |                             |
| Child and Adult Care Food Program  | 10.558                                   | 03-47-55965-00-9                   | 43,584                      |
| Child and Adult Care Food Program  | 10.558                                   | 03-47-55965-00-9                   | 79,575                      |
|  |  |                                    | 123,159                     |
| U.S. Department of Energy:   |  |                                    |                             |
| Passed-Through Tennessee Housing Development Agency:                         |  |                                    |                             |
| Weatherization Assistance for Low-Income Persons                             | 81.042                                   | WAP-19-15                          | 230,640                     |
| U.S. Department of Health and Human Services:                                |  |                                    |                             |
| Passed-Through Tennessee Department of Human Services:                       |  |                                    |                             |
| Temporary Assistance for Needy Families<br>(Child Care Certificate Program)  | 93.558                                   | N/A                                | 36,915                      |
| Temporary Assistance for Needy Families<br>(Child Care Certificate Program)  | 93.558                                   | N/A                                | 40,165                      |
|  |  |                                    | 77,080                      |
| Passed-Through Tennessee Housing Development Agency:                         |  |                                    |                             |
| Low-Income Home Energy Assistance Program                                    | 93.568                                   | LWx-18-15                          | 151,354                     |
| Low-Income Home Energy Assistance Program                                    | 93.568                                   | LWx-20-15                          | 26,269                      |
|  |  |                                    | 177,623                     |
| Low-Income Home Energy Assistance Program                                    | 93.568                                   | LIHEAP-20-19                       | 5,815,475                   |
| Low-Income Home Energy Assistance Program – CARES                            | 93.568                                   | LIHEAP CARES-19                    | 1,255,477                   |
| Low-Income Home Energy Assistance Program – Supplemental                     | 93.568                                   | LIHEAP-20-19                       | 1,300,481                   |
|  |  |                                    | 8,371,433                   |

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021**

| <b>Federal Grantor/Pass-Through Grantor/Program Title</b>                   | <b>Federal Assistance Listing Number</b> | <b>Grantor Agency Award Number</b> | <b>Federal Expenditures</b> |
|---|--|------------------------------------|-----------------------------|
| U.S. Department of Health and Human Services: (Continued)                   |  |                                    |                             |
| Passed-Through Tennessee Department of Human Services:                      |  |                                    |                             |
| Community Services Block Grant  | 93.569                                   | Z20-49120                          | \$ 1,127,233                |
| Community Services Block Grant  | 93.569                                   | Z21-49120                          | 648,459                     |
|   |  |                                    | <u>1,775,692</u>            |
| Community Services Block Grant  | 93.569                                   | Z22-49220COV                       | 660,504                     |
|   |  |                                    | <u>2,436,196</u>            |
| Direct Grant:   |  |                                    |                             |
| Head Start Full-Year, Part-Day<br>(includes delegate expenses of \$977,425) | 93.600                                   | 04CH010996/02                      | 4,981,890                   |
| Head Start Covid<br>(includes delegate expenses of \$202,129)               | 93.600                                   | 04CH010996/02C3                    | 819,282                     |
| Head Start Full-Year, Part-Day<br>(includes delegate expenses of \$867,872) | 93.600                                   | 04CH010996/03                      | 4,501,344                   |
|   |  |                                    | <u>10,302,516</u>           |
| Head Start – CRRSA<br>(Includes delegate expenses of \$6,724)               | 93.600                                   | 04HE000340/01C5                    | 240,577                     |
| Head Start – ARP  | 93.600                                   | 04HE000340/01C6                    | 6,577                       |
|   |  |                                    | <u>247,154</u>              |
|   |  |                                    | <u>10,549,670</u>           |
| Corporation for National and Community Service                              |  |                                    |                             |
| Direct Grant:   |  |                                    |                             |
| Retired Senior Volunteer Program  | 94.002                                   | 19SRSTN001                         | 65,869                      |
| Department of Homeland Security   |  |                                    |                             |
| Direct Grant:   |  |                                    |                             |
| Emergency Food and Shelter  | 97.024                                   | Various                            | 50,150                      |
| Emergency Food and Shelter – CARES  | 97.024                                   | Various                            | 60,297                      |
|   |  |                                    | <u>110,447</u>              |
| Passed-Through United Way National:   |  |                                    |                             |
| Emergency Food and Shelter  | 97.024                                   | 37-763400-005                      | 5,000                       |
| Emergency Food and Shelter – CARES  | 97.024                                   | 763400-005                         | 5,000                       |
|   |  |                                    | <u>10,000</u>               |
|   |  |                                    | <u>120,447</u>              |
| Total Federal Programs  |  |                                    | <u><u>\$ 22,605,788</u></u> |

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2021**

**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 modified 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. 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, 2021, was 6.67%.

**Note 3. 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, 2021, are as follows:

| <u>Delegate Agency</u>            | <u>Federal Head Start</u>  |
|-----------------------------------|----------------------------|
| Carter County Head Start          | \$ 1,340,212               |
| Johnson County Board of Education | <u>713,938</u>             |
|                                   | <u><u>\$ 2,054,150</u></u> |

**Note 4. 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:

| <u>Delegates/UETHDA</u>           | <u>04CH010996/02</u>     | <u>04CH010996/03</u>       | <u>Total</u>               |
|-----------------------------------|--------------------------|----------------------------|----------------------------|
| Carter County Head Start          | \$ 94,396                | \$ 189,906                 | \$ 284,302                 |
| Johnson County Board of Education | <u>29,210</u>            | <u>145,241</u>             | <u>174,451</u>             |
|                                   | 123,606                  | 335,147                    | 458,753                    |
| UETHDA                            | <u>864,456</u>           | <u>1,049,232</u>           | <u>1,913,688</u>           |
| Total Head Start in-kind          | <u><u>\$ 988,062</u></u> | <u><u>\$ 1,384,379</u></u> | <u><u>\$ 2,372,441</u></u> |

## **COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major governmental funds of Upper East Tennessee Human Development Agency, Inc. ("UETHDA"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise UETHDA's basic financial statements, and have issued our report thereon dated December 8, 2021.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee  
December 8, 2021

**INDEPENDENT AUDITOR'S 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.  
Kingsport, Tennessee

**Report on Compliance for Each Major Federal Program**

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

*Management's Responsibility*

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

*Auditors' Responsibility*

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

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

## **Report on Compliance for Each Major Federal Program (Continued)**

### *Opinion on Each Major Federal Program*

In our opinion, UETHDA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

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

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee  
December 8, 2021

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

| <u>Program Name</u> | <u>CFDA #</u> |
|---------------------|---------------|
| Head Start          | 93.600        |

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Agency was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – STATE OF TENNESSEE

None.

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2021**

**Financial Statement Audit**

There were no prior findings reported.

**Major Federal Awards Programs**

There were no prior findings reported.