



**Upper East Tennessee  
Human Development Agency**

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

**FINANCIAL REPORT**

**June 30, 2023**



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# **INTRODUCTORY SECTION**

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

**DIRECTORY OF OFFICERS AND DIRECTORS**

**June 30, 2023**

**OFFICERS**

Timothy Jaynes..... Executive Director  
Connie Shockley..... Finance Director  
Kenneth Treadway ..... Board Chairman (Target Sector)  
Charles VonCannon ..... Board Vice-Chair (Target Sector)  
Sara Mietzner ..... Board Secretary/Treasurer (Private Sector)

**BOARD OF DIRECTORS**

**Target Sector**

Kim Bordeaux (a)  
Patricia Bryant (a)  
Aloma Cole (a)  
Margaret Collins  
Kristin Davis  
Karla Delph (a)  
Phyllis Delph (a)  
Dawn Farmer (a)  
Kelly Geagley (a)  
Pat Grindstaff  
Pamela Hughes  
Sue Mallory  
Mindy Milorn (a)  
Carolyn Mullenix  
Brittany Knight  
Sandra Koehler (a)  
Jessie Reece (a)  
Johnnie Mae Swagerty  
Ruth Thomas  
Kenneth Treadway  
Charles VonCannon  
Karen Cirilo Zavala (a)

**Public Sector**

Carolyn Byrd (r)  
Alonzo Collins (r)  
Garland “Bubba” Evely, Unicoi County Mayor  
Mark DeWitte, Hawkins County Mayor  
Joe Grandy, Washington County Mayor  
Thomas Harrison, Hancock County Mayor  
Senator Jon Lundberg  
Kevin Morrison, Greene County Mayor  
Larry Potter, Johnson County Mayor  
Col. Pat W. Schull, City of Kingsport Mayor  
Jim Sells, City of Rogersville Mayor  
Richard Venable, Sullivan County Mayor  
Pat Wolfe (r)  
Patty Woodby, Carter County Mayor

**Private Sector**

Cindy Anderson  
Dick Grayson  
Mike Harrison  
Doris Hensley  
Sara Mietzner  
Susan Payne  
Polly Peterson, Esq.  
Col. Henry Reyes  
Andria Smith (a)  
James Whiteside

(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

#### *Opinions*

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, 2023, and the related notes to the financial statements, which collectively comprise UETHDA's basic financial statements as listed in the table of contents.

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, 2023, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UETHDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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.



## **Report on the Financial Statements (Continued)**

### *Responsibilities of Management for the Financial Statements (Continued)*

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UETHDA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UETHDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UETHDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *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.

## **Report on the Financial Statements (Continued)**

### *Required Supplementary Information (Continued)*

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 relates 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 and schedule of changes in lease obligations on page i and 40, respectively, have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, 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 5, 2023

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

**Management's Discussion and Analysis  
Year Ended June 30, 2023**

**Financial Highlights**

UETHDA's expenditures this fiscal year were \$27,817,950 compared to \$23,270,403 for the period July 1, 2021 through June 30, 2022. This was an overall increase in expenditures of \$4,547,547. This is primarily due to the increases in expenditures in equipment and capital improvements of \$1,673,477 and direct client assistance of \$1,981,505 due to the addition of the Low-Income Household Water Assistance Program of \$1,180,894,

Additionally:

- UETHDA's overall financial position, as reflected in total net position, increased by \$1,551,346 due to current year activities.
- In governmental funds, the total fund balance increased by \$123,646.

**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 5 through 7 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 8 through 11 of this report.

(Continued)

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

**Management’s Discussion and Analysis  
Year Ended June 30, 2023**

**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 12 of this report.

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

**Management's Discussion and Analysis  
Year Ended June 30, 2023**

**Financial Analysis**

**UETHDA as a Whole**

**Net Position**

Table 1 below provides a summary of UETHDA's net position as of June 30, 2023 and 2022.

Table 1  
Condensed Statement of Net Position

	<u>Government-wide</u>	
	<u>2023</u>	<u>2022</u>
Current assets	\$3,097,475	\$2,421,793
Capital assets	2,746,228	1,341,490
Other assets	-	1,644,318
Total assets	<u>\$5,843,703</u>	<u>\$5,407,601</u>
Deferred outflow of resources	<u>\$1,777,360</u>	<u>\$1,735,501</u>
Current liabilities	\$1,833,424	\$1,225,367
Long-term liabilities	815,660	946,366
Other liabilities	505,094	-
Total liabilities	<u>\$3,154,178</u>	<u>\$2,171,733</u>
Deferred inflow of resources	<u>\$277,347</u>	<u>\$2,333,177</u>
Net investment in capital assets	\$2,093,045	\$561,295
Restricted – grant proceeds	43,228	92,290
Restricted – net pension liability	(505,094)	1,644,318
Unrestricted	<u>2,558,359</u>	<u>340,289</u>
Total net position	<u>\$4,189,538</u>	<u>\$2,638,192</u>

In governmental activities, total assets and deferred outflow of resources increased by \$477,961, this is primarily due to an increase in current assets of \$675,682 and capital assets of \$1,404,738 along with a decrease in other assets of \$1,644,318 related to the pension asset becoming a pension liability. Total liabilities and deferred inflow of resources decreased by \$1,073,385, this is primarily due to a decrease in pension and other postemployment benefit related items of \$2,055,830. The change in net position is an increase of \$1,551,346.

(Continued)

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

**Management's Discussion and Analysis  
Year Ended June 30, 2023**

**Financial Analysis (Continued)**

**Change in Net Position**

Table 2 summarizes the change in net position for the fiscal years ended June 30, 2023 and 2022.

Table 2  
Change in Net Position

	<u>2023</u>	<u>Percentage of Funding</u>	<u>2022</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$26,030,678	93.50%	\$23,019,808	99.45%
Capital grants and contributions	1,768,657	6.35%	95,179	0.41%
Miscellaneous	23,794	0.09%	29,893	0.13%
Interest and investments earnings	16,403	0.06%	1,929	0.01%
Total revenues	<u>\$27,839,532</u>	<u>100.00%</u>	<u>\$23,146,809</u>	<u>100.00%</u>
Expenditures:				
Community services programs	\$2,224,382	8.46%	\$2,357,323	10.33%
Weatherization/energy assistance	11,962,557	45.50%	9,703,143	42.50%
Child education	11,380,122	43.29%	10,243,072	44.86%
Nutrition programs	412,393	1.57%	276,293	1.21%
Senior programs	-	0.00%	35,173	0.15%
Emergency shelter programs	291,397	1.11%	191,423	0.84%
Corporate activities	17,335	0.07%	24,433	0.11%
Total expenditures	<u>\$26,288,186</u>	<u>100.00%</u>	<u>\$22,830,860</u>	<u>100.00%</u>
Change in net position	<u>\$1,551,346</u>		<u>\$315,949</u>	

As shown, program revenue in the form of grants and contributions provide over 99% of the funds for governmental activities, which are expended primarily on child education and weatherization/energy assistance.

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

**Management's Discussion and Analysis  
Year Ended June 30, 2023**

**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 Government Activities

	<u>2023</u>		<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Community services programs	\$2,224,382	\$(15,826)	\$2,357,323	\$(23,599)
Weatherization/energy assistance	11,962,557	(26,132)	9,703,143	56,004
Child education	11,380,122	1,570,258	10,243,072	283,935
Nutrition programs	412,393	-	276,293	(4,627)
Senior programs	-	-	35,173	(3,062)
Emergency shelter programs	291,397	184	191,423	(433)
Corporate activities	17,335	(17,335)	24,433	(24,091)
Totals	<u>\$26,288,186</u>	<u>\$1,511,149</u>	<u>\$22,830,860</u>	<u>\$284,127</u>

**Governmental Funds**

UETHDA completed the year with a total governmental fund balance of \$1,508,978 of which \$1,064,370 is general fund balance and \$444,608 is special revenue fund balance. This represents an increase of \$13,678 in general fund balance from \$1,050,692 as of June 30, 2022, and an increase of \$109,968 in special revenue fund balance from \$334,640 as of June 30, 2022.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Management's Discussion and Analysis  
Year Ended June 30, 2023

Financial Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At the end of the 2023 fiscal year, UETHDA had invested a cumulative amount of \$5,832,141 in a broad range of capital assets, including buildings, capital improvements, vehicles, furniture, and equipment (see Table 4). This amount represents a net increase of \$1,447,448. Additional information about capital assets can be found in Note 5, pages 21 and 22. Total accumulated depreciation and amortization on these assets was \$3,085,913.

- UETHDA recognized depreciation and amortization expense of \$363,918 for governmental activities (see page 11).

Table 4  
Capital Assets

	<u>2023</u>	<u>2022</u>	<u>% Change</u>
Land	\$21,000	\$21,000	0.00%
Buildings and capital improvements	2,432,789	996,943	144.02%
Furniture and equipment	546,345	586,044	-6.77%
Vehicle	2,074,641	1,880,542	10.32%
Right-of-use leased asset	900,164	900,164	0.00%
Accumulated depreciation and amortization	<u>(3,228,711)</u>	<u>(3,043,203)</u>	6.10%
Totals	<u>\$2,746,228</u>	<u>\$1,341,490</u>	

In-Kind

One of UETHDA's programs (Head Start) requires 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.

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% for the year ended June 30, 2022.



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

**Management's Discussion and Analysis  
Year Ended June 30, 2023**

**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 43% was provided under Head Start and approximately 46% 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, 2023

**ASSETS**

## CURRENT ASSETS

Cash (Note 2)	\$ 884,570
Receivables	
Due from grantor agencies (Note 3)	1,927,078
Other accounts receivable	31,636
Prepaid expenses	63,515
Inventory	190,676
	<hr/>
Total current assets	3,097,475

## CAPITAL ASSETS (Note 5)

Land and building and capital improvements	2,453,789
Furniture and equipment	546,345
Vehicles	2,074,641
Right-of-use asset	757,366
	<hr/>

	5,832,141
Less accumulated depreciation and amortization	<hr/> 3,085,913

Net capital assets	<hr/> 2,746,228
--------------------	-----------------

Total assets	<hr/> 5,843,703
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**DEFERRED OUTFLOW OF RESOURCES**

Deferred outflows related to pensions (Note 8)	1,746,675
Deferred outflows related to other postemployment benefits (Note 9)	30,685
	<hr/>

Total deferred outflow of resources	<hr/> 1,777,360
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**LIABILITIES**

## CURRENT LIABILITIES

Accounts payable	823,392
Accrued payroll and related expenses	591,931
Compensated absences, current	281,109
Lease liabilities, current	130,059
Unearned revenues	6,933
	<hr/>

Total current liabilities	<hr/> 1,833,424
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## LONG-TERM LIABILITIES

Compensated absences, net of current portion	128,204
Lease liabilities, net of current portion	523,124
Net pension liability (Note 8)	505,094
Other postemployment benefits liability (Note 9)	164,332
	<hr/>

Total long-term liabilities	<hr/> 1,320,754
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Total liabilities	<hr/> 3,154,178
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(Continued)

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

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

## STATEMENT OF NET POSITION

June 30, 2023

**DEFERRED INFLOW OF RESOURCES**

Deferred inflows related to pensions (Note 8)	47,917
Deferred inflows related to other postemployment benefits (Note 9)	<u>229,430</u>
Total deferred inflow of resources	<u>277,347</u>

**NET POSITION**

Net investment in capital assets	2,093,045
Restricted – contributions	43,228
Unrestricted	<u>2,053,265</u>
Total net position	<u><u>\$ 4,189,538</u></u>

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

## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Program activities:					
General government	\$ 1,359,009	\$ (1,359,009)	\$ -	\$ -	\$ -
Community services programs	2,104,708	119,674	2,208,556	-	(15,826)
Energy assistance	11,274,495	688,062	11,936,425	-	(26,132)
Child education	10,861,571	518,551	11,181,723	1,768,657	1,570,258
Nutrition programs	389,025	23,368	412,393	-	-
Emergency shelter programs	282,043	9,354	291,581	-	184
Total program activities	<u>26,270,851</u>	<u>-</u>	<u>26,030,678</u>	<u>1,768,657</u>	<u>1,528,484</u>
Support services:					
General government	1,174	(1,174)	-	-	-
Corporate activities	16,161	1,174	-	-	(17,335)
Total support services	<u>17,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,335)</u>
Total organization	<u>\$ 26,288,186</u>	<u>\$ -</u>	<u>\$ 26,030,678</u>	<u>\$ 1,768,657</u>	<u>1,511,149</u>
General revenue:					
Miscellaneous					23,794
Interest and investment earnings					<u>16,403</u>
Total general revenue					<u>40,197</u>
Change in net position					1,551,346
NET POSITION, beginning of year					<u>2,638,192</u>
NET POSITION, end of year					<u>\$ 4,189,538</u>

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, 2023**

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 883,570	\$ 1,000	\$ 884,570
Receivables:			
Due from grantor agencies	-	1,927,078	1,927,078
Other receivables	846	30,790	31,636
Due from other funds	143,266	-	143,266
Prepaid expenses	36,844	26,671	63,515
Inventory	-	190,676	190,676
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,064,526</u>	<u>\$ 2,176,215</u>	<u>\$ 3,240,741</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 156	\$ 823,236	\$ 823,392
Accrued payroll and related expenses	-	591,931	591,931
Due to other funds	-	143,266	143,266
Unearned grant revenues	-	6,933	6,933
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>156</u>	<u>1,565,366</u>	<u>1,565,522</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable grant revenues	-	166,241	166,241
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	-	190,676	190,676
Prepaid expenses	36,844	26,671	63,515
Restricted	-	43,228	43,228
Unassigned	1,027,526	184,033	1,211,559
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,064,370</u>	<u>444,608</u>	<u>1,508,978</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,064,526</u>	<u>\$ 2,176,215</u>	<u>\$ 3,240,741</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, 2023**

**Total fund balance – governmental funds** \$ 1,508,978

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	\$ 5,832,141
Less governmental accumulated depreciation and amortization	<u>3,085,913</u>

Net capital assets	2,746,228
--------------------	-----------

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	166,241
---	---------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(409,313)
Lease liabilities	(653,183)

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	1,746,675
Deferred outflows related to other postemployment benefits	30,685
Deferred inflows related to pensions	(47,917)
Deferred inflows related to other postemployment benefits	<u>(229,430)</u>

Net deferral of resources	1,500,013
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Net pension liabilities	(505,094)
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Other postemployment benefits liabilities of the agency represents a long-term liability for which future funds will be necessary to fund.

<u>(164,332)</u>
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<b>Total net position – governmental activities</b>	<u><u>\$ 4,189,538</u></u>
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## UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Grants	\$ -	\$ 27,303,952	\$ 27,303,952
Local contributions	-	238,609	238,609
Other	13,841	9,953	23,794
Interest income	16,403	-	16,403
Commodities	-	358,838	358,838
	<u>30,244</u>	<u>27,911,352</u>	<u>27,941,596</u>
<b>EXPENDITURES</b>			
Salaries	7,412	6,607,162	6,614,574
Fringe benefits	1,280	2,202,672	2,203,952
Travel	14	312,904	312,918
Communications	221	92,346	92,567
Utilities	-	73,924	73,924
Office supplies	230	36,402	36,632
Program supplies	368	1,019,696	1,020,064
Maintenance and repairs	92	434,318	434,410
Rental buildings	-	183,770	183,770
Contractual	-	198,774	198,774
Delegate agencies	-	1,999,819	1,999,819
Equipment rent	-	12,686	12,686
Equipment (sensitive minor)	-	271,463	271,463
Equipment and capital improvements	-	1,768,656	1,768,656
Insurance	-	43,979	43,979
Advertising	-	71,763	71,763
Direct client assistance	693	10,675,053	10,675,746
Parent activities, meetings, interest, fees	5,082	22,500	27,582
Training	-	94,475	94,475
Indirect costs	1,174	1,359,009	1,360,183
Commodities distributed	-	320,013	320,013
	<u>16,566</u>	<u>27,801,384</u>	<u>27,817,950</u>
Excess of revenues over expenditures	13,678	109,968	123,646
FUND BALANCES, beginning of year	<u>1,050,692</u>	<u>334,640</u>	<u>1,385,332</u>
FUND BALANCES, end of year	<u>\$ 1,064,370</u>	<u>\$ 444,608</u>	<u>\$ 1,508,978</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, 2023**

**Net change in fund balances – total governmental funds** \$ 123,646

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 and right-of-use lease assets	\$ 1,768,657
Depreciation and amortization expense	<u>(363,918)</u>

Amount by which capital acquisitions are more than depreciation in the current period	1,404,739
---	-----------

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

Unavailable revenues	(102,066)
----------------------	-----------

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	(281,531)
Accrued vacation and personal leave paid	<u>263,394</u>

Net accrued vacation and personal leave earned	(18,137)
--	----------

The repayment of lease liabilities consumes the current financial resources of government funds.

Principal repayments on lease liabilities	127,012
---	---------

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	(442,042)
Other postemployment benefits expense recognized in the Statement of Activities	1,128
Pension expense recognized in the governmental funds	<u>457,066</u>

Net difference in the amount of pension and other postemployment benefit expense recognized	<u>16,152</u>
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**Change in net position – governmental activities** \$ 1,551,346

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, 2023

**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, 2023

**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. In addition, 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, 2023

**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, 2023

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 Useful Life (In Years)</b>
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, 2023

**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, 2023. Grant funds reimburse the special revenue fund as the leave is paid.

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 assets 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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. UETHDA has three types of deferred inflows. Two of these relate 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. UETHDA additionally reports unavailable/unearned revenue from grant receivables not collected within 60 days of year end. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not yet complete. These amounts are deferred and recognized as an inflow of resources in the period they are earned.

Pension plan

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

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**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, 2023, was 6.50%.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Leases

Leases are recorded under GASB No. 87, *Leases*, which for lessees requires reporting an intangible right to use asset and a lease liability for long-term leases.

UETHDA leases various facilities for operation of its programs. 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.

Key estimates and judgments include how UETHDA determines (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and/or payments.

- UETHDA uses an estimated incremental borrowing rate as the discount rate for lease.
- The lease term includes the noncancellable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- UETHDA monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

Right-of-use lease asset and related lease liability

UETHDA is a lessee for noncancellable leases of buildings and equipment. UETHDA recognized an intangible right-to-use asset (lease asset) and a related lease liability on the financial statements. At the commencement of a lease, UETHDA initially measures a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

**Note 2. Deposits 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.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2. Deposits and Investments (Continued)

Deposits (Continued)

*Custodial Credit Risk (Continued)*

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	\$ 1,010,660	\$ 884,570

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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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

Receivables from grantor agencies consisted of the following:

Federal	\$	411,136
State		<u>1,515,942</u>
		<u>\$ 1,927,078</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	\$ -	\$ 166,241
Federal grant funding	<u>6,933</u>	<u>-</u>
Government-wide unearned revenues	<u>\$ 6,933</u>	
Special revenue fund unavailable revenues		<u>\$ 166,241</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, 2023, was \$158,309.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 5. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Capital assets being depreciated:				
Buildings and capital improvements	996,943	1,513,746	(77,900)	2,432,789
Furniture and equipment	586,044	29,133	(68,832)	546,345
Vehicles	1,880,542	225,778	(31,679)	2,074,641
Total capital assets being depreciated	<u>3,463,529</u>	<u>1,768,657</u>	<u>(178,411)</u>	<u>5,053,775</u>
Less accumulated depreciation:				
Buildings and capital improvements	601,054	101,291	(77,900)	624,445
Furniture and equipment	566,882	17,411	(68,832)	515,461
Vehicles	1,732,469	102,419	(31,679)	1,803,209
Total accumulated depreciation	<u>2,900,405</u>	<u>221,121</u>	<u>(178,411)</u>	<u>2,943,115</u>
Capital assets being depreciated, net of accumulated depreciation	<u>563,124</u>	<u>1,547,536</u>	<u>-</u>	<u>2,110,660</u>
Governmental activities capital assets, net	<u>584,124</u>	<u>1,547,536</u>	<u>-</u>	<u>2,131,660</u>
Right-of-use leased assets:				
Buildings	900,164	-	-	900,164
Less accumulated amortization	<u>(142,798)</u>	<u>(142,798)</u>	<u>-</u>	<u>(285,596)</u>
Lease assets, net	<u>757,366</u>	<u>(142,798)</u>	<u>-</u>	<u>614,568</u>
Total capital assets, net	<u>\$ 1,341,490</u>	<u>\$ 1,690,334</u>	<u>\$ -</u>	<u>\$ 2,746,228</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 5. Capital Assets (Continued)**

Depreciation and amortization expense for the year ended June 30, 2023, was \$363,918. This total is broken out by program as follows:

Governmental activities					
Child education				\$	264,674
Community services programs					70,119
Weatherization					28,355
Local					770
Total depreciation and amortization expense				\$	363,918

**Note 6. Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued annual leave	\$ 391,176	\$ 281,531	\$ (263,394)	\$ 409,313	\$ 281,109
Lease liabilities	780,195	-	(127,012)	653,183	130,059
Pension liability	-	505,094	-	505,094	-
Other postemployment benefits liability	232,207	41,938	(109,813)	164,332	-
Total governmental activities long-term liabilities	\$ 1,403,578	\$ 828,563	\$ (500,219)	\$ 1,731,922	\$ 411,168

The annual requirements to amortize lease liabilities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 130,059	\$ 17,827
2025	137,715	11,893
2026	146,446	9,583
2027	83,630	6,036
2028	90,373	3,438
2029	64,960	830
	\$ 653,183	\$ 49,607

UETHDA has lease liabilities for various property rentals. The lease terms related to these leases range from 24 to 93 months in length with interest rates determined to be 3%. Monthly payments related to these leases range from \$339 to \$5,070.

(Continued)



UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**Note 7. Restricted Net Position**

The restricted net position related to contributions consisted of the following:

Community Services local contributions	\$	37,831
Head Start local contributions		849
Reading is Fundamental donations		4,548
		<hr/>
	\$	43,228
		<hr/> <hr/>

Community Services Local contributions are used to provide services to low income individuals in the community. Head Start Local contributions support Head Start classrooms and Reading is Fundamental donations provide books for children.

**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, 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

*Benefits Provided*

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's 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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Retirement Plan (Continued)

General information about the pension plan (Continued)

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	463
Active employees	<u>241</u>
	<u>812</u>

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. UETHDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for UETHDA were \$509,874 based on a rate of 7.10% 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 ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net pension liability (asset)

*Pension liabilities (assets)*

UETHDA's net pension liability (asset) was measured as of June 30, 2022, 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, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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

Net pension liability (asset) (Continued)

*Actuarial Assumptions* (Continued)

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

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. 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, 2020, 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 2.25 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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	4.88%	31%
Developed market international equity	5.37	14
Emerging market international equity	6.09	4
Private equity and strategic lending	6.57	20
U.S. fixed income	1.20	20
Real estate	4.38	10
Short-term securities	0.00	1
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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

Net pension liability (asset) (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75 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.

Changes in net pension liability (asset)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at June 30, 2021	\$ 17,341,623	\$ 18,985,941	\$ (1,644,318)
Changes for the year:			
Service cost	674,694	-	674,694
Interest	1,193,173	-	1,193,173
Expected vs. actual experience	261,036	-	261,036
Changes in assumptions	-	-	-
Contributions – employer	-	383,715	(383,715)
Contributions – employee	-	346,316	(346,316)
Net investment loss	-	(726,846)	726,846
Benefit payments, including refunds	(679,358)	(679,358)	-
Administrative expense	-	(23,694)	23,694
Net changes	<u>1,449,545</u>	<u>(699,867)</u>	<u>2,149,412</u>
Balance at June 30, 2022	<u>\$ 18,791,168</u>	<u>\$ 18,286,074</u>	<u>\$ 505,094</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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

Changes in net pension liability (asset) (Continued)

*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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Net pension liability (asset)	\$ 3,462,918	\$ 505,094	\$ (1,875,300)

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

*Pension Expense*

For the year ended June 30, 2023, UETHDA recognized pension expense of \$494,850.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2023, UETHDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 195,777	\$ 47,917
Difference between projected and actual earnings on investments, net	56,468	-
Changes in assumptions	984,556	-
Contributions subsequent to the measurement date of June 30, 2022	509,874	-
	\$ 1,746,675	\$ 47,917

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction to net pension liability in the following measurement period.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**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* (Continued)

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

<u>Year Ending June 30,</u>		
2024	\$	264,359
2025		294,208
2026		228,454
2027		401,863
2028		-
Thereafter		-
		<u>\$ 1,188,884</u>

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

Payable to the pension plan

At June 30, 2023, UETHDA reported a payable of \$45,734 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

**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.

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

General information about the OPEB plan (Continued)

*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, 2022, 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 eligible for benefits	216
Active employees not eligible for benefits	11

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, 2023, UETHDA paid \$2,240 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, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

(Continued)

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Total OPEB liability (Continued)

*Actuarial Assumptions and Other Inputs* (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%.
Healthcare cost trend rates	8.37% for pre-65 in 2023, decreasing annually over a 7-year period, to an ultimate rate of 4.50%. 8.99% for post-65 in 2023, decreasing annually over an 8-year period to an ultimate rate of 4.50%.
Retiree’s share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purposes of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2021 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. 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 PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020.

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, projected generationally from 2018 with MP-2020.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.54 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 Bond Buyer 20-Year Municipal GO AA index.

(Continued)



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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

Changes in the Total OPEB liability

	<b>Total OPEB Liability</b>
Balance at June 30, 2021	\$ 232,207
Changes for the year:	
Service cost	36,173
Interest	5,765
Difference between expected and actual experience	(40,933)
Changes in assumptions	(65,879)
Benefit payments	(3,001)
Net changes	(67,875)
Balance at June 30, 2022	\$ 164,332

*Changes in Assumptions*

The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption increased the total 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>Discount Rate Assumption</b>		
	<b>1.00% Decrease (2.54%)</b>	<b>Current (3.54%)</b>	<b>1.00% Increase (4.54%)</b>
Total OPEB liability	\$ 180,100	\$ 164,332	\$ 149,758

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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

Changes in the Total OPEB liability (Continued)

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

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% Decrease (7.37%/7.99% Decreasing to 3.50%)</b>	<b>Current (8.37%/8.99% Decreasing to 4.50%)</b>	<b>1.00% Increase (9.37%/9.99% Decreasing to 5.50%)</b>
Total OPEB liability	\$ 142,323	\$ 164,332	\$ 190,505

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

*OPEB expense*

For the year ended June 30, 2023, UETHDA recognized OPEB expense of \$1,112.

*Deferred outflows of resources and deferred inflows of resources*

For the fiscal year ended June 30, 2023, UETHDA reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ (121,601)
Changes in assumptions	28,445	(107,829)
Employer payments subsequent to the measurement date	2,240	-
	\$ 30,685	\$ (229,430)

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, 2023

**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:

Year Ending June 30,

2024	\$	(40,826)
2025		(40,826)
2026		(40,826)
2027		(27,500)
2028		(25,914)
Thereafter		(25,451)

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 both direct federal grants and federal grants administered by departments of the State of Tennessee. Approximately 46% and 38% of revenues were Head Start and LIHEAP monies, respectively, received under a grant from the U.S. Department of Health and Human Services. The other 16% consists of monies received for UETHDA's other programs from 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, 2023**

**Note 12. 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:

<b>Delegate Agency</b>	<b>Federal Head Start</b>
Carter County Head Start	\$ 1,254,758
Johnson County Board of Education	<u>745,061</u>
	<u><u>\$ 1,999,819</u></u>

**Note 13. 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.

**Note 14. New Accounting Standards**

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 14. New Accounting Standards (Continued)**

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

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**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, 2023**

	<b>Plan Year</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Total Pension Liability</b>			
Service cost	\$ 674,694	\$ 537,711	\$ 479,808
Interest	1,193,173	1,085,259	1,024,609
Expected vs. actual experience	261,036	(38,845)	(98,440)
Change of assumptions	-	1,640,926	-
Benefit payments, including refunds of employee contributions	<u>(679,358)</u>	<u>(629,604)</u>	<u>(625,052)</u>
Net change in total pension liability	1,449,545	2,595,447	780,925
<b>Total pension liability – beginning</b>	<u>17,341,623</u>	<u>14,746,176</u>	<u>13,965,251</u>
<b>Total pension liability – ending</b>	<u>18,791,168</u>	<u>17,341,623</u>	<u>14,746,176</u>
<b>Plan Fiduciary Net Position</b>			
Contributions – employer	383,715	369,093	314,260
Contributions – employee	346,316	334,712	283,632
Net investment income (loss)	(726,846)	3,888,144	712,138
Benefit payments, including refunds of employee contributions	(679,358)	(629,604)	(625,052)
Administrative expenses	(23,694)	(22,889)	(18,885)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(699,867)	3,939,456	666,093
<b>Plan fiduciary net position – beginning</b>	<u>18,985,941</u>	<u>15,046,485</u>	<u>14,380,392</u>
<b>Plan fiduciary net position – ending</b>	<u>18,286,074</u>	<u>18,985,941</u>	<u>15,046,485</u>
<b>Net pension (asset ) liability</b>	<u>\$ 505,094</u>	<u>\$ (1,644,318)</u>	<u>\$ (300,309)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>97.31%</u>	<u>109.48%</u>	<u>102.04%</u>
Covered-employee payroll	<u>\$ 6,926,262</u>	<u>\$ 6,662,310</u>	<u>\$ 5,672,577</u>
Net pension (asset) liability as a percentage of covered-employee payroll	<u>7.29%</u>	<u>-24.68%</u>	<u>-5.29%</u>

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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.



**EXHIBIT 7**

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

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## 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, 2023**

Entity Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 509,874	\$ 509,874	\$ -	\$ 7,181,326	7.10 %
2022	383,715	383,715	-	6,926,262	5.54
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

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, 2023

**Note 1. Valuation Date**

Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021, 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
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, 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	2.125%

**Note 3. Changes of Assumptions**

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS  
AND RELATED RATIOS AND RELATED NOTES  
Year Ended June 30, 2023**

	<b>Fiscal Year Ended</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Total Other Postemployment Benefit Liability</b>			
Service cost	\$ 36,173	\$ 38,851	\$ 27,920
Interest	5,765	6,913	9,405
Expected vs. actual experience	(40,933)	(23,096)	(26,135)
Change of assumptions	(65,879)	(62,663)	25,875
Benefit payments	(3,001)	(3,504)	(2,732)
	<u>(67,875)</u>	<u>(43,499)</u>	<u>34,333</u>
<b>Total other postemployment benefit liability – beginning</b>	<u>232,207</u>	<u>275,706</u>	<u>241,373</u>
<b>Total other postemployment benefit liability – ending</b>	<u>\$ 164,332</u>	<u>\$ 232,207</u>	<u>\$ 275,706</u>
Covered-employee payroll	<u>\$ 5,551,684</u>	<u>\$ 5,508,478</u>	<u>\$ 4,990,880</u>
Total other postemployment benefit liability as a percentage of covered-employee payroll	<u>2.96%</u>	<u>4.22%</u>	<u>5.52%</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 was 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.

**EXHIBIT 9**

<b>Fiscal Year Ended</b>		
<b>2020</b>	<b>2019</b>	<b>2018</b>
\$ 27,065	\$ 21,988	\$ 22,762
11,383	10,399	8,124
(102,075)	(23,861)	-
19,077	11,643	(14,751)
<u>(2,904)</u>	<u>(2,921)</u>	<u>-</u>
(47,454)	17,248	16,135
<u>288,827</u>	<u>271,579</u>	<u>255,444</u>
<u>\$ 241,373</u>	<u>\$ 288,827</u>	<u>\$ 271,579</u>
<u>\$ 4,255,412</u>	<u>\$ 4,471,811</u>	<u>\$ 4,172,840</u>
<u>5.67%</u>	<u>6.46%</u>	<u>6.51%</u>

**OTHER  
SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF CHANGES IN LEASE OBLIGATIONS  
For the Fiscal Year Ended June 30, 2023**

<b>Description of Indebtedness</b>	<b>Original Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Issue</b>	<b>Maturity Date</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
LEASES PAYABLE				
<u>Payable through Special Revenue Fund</u>				
Bill McMurry	\$ 25,106	3.00 %	7/1/2021	6/30/2026
Daniel Slonaker	47,465	3.00	5/1/2021	6/30/2026
Extra Space – Storage	7,907	3.00	3/14/2020	6/30/2023
Glen D. and Doris R. Hutchens, Sr.	501,892	3.00	4/1/2019	3/31/2029
Kingsport Housing and Redevelopment Agency	19,527	3.00	4/1/2016	6/30/2026
Marathon Realty Corporation	69,801	3.00	4/16/2021	6/30/2028
Mark C. Smith	47,423	3.00	11/1/2020	6/30/2026
Moore and Senter Company	55,791	3.00	7/1/2021	6/30/2026
Robin Sue Mallory	39,054	3.00	7/1/2021	6/30/2026
Wilson Franklin Hodges, Jr.	37,659	3.00	2/1/2018	6/30/2026
Wolfe Development	48,539	3.00	7/1/2021	6/30/2026
Total payable through the Special Revenue Fund				



<b>Outstanding July 1, 2022</b>	<b>Issued During Period</b>	<b>Paid and/or Matured During Period</b>	<b>Remeasurements</b>	<b>Outstanding June 30, 2023</b>
\$ 20,395	\$ -	\$ 4,854	\$ -	\$ 15,541
38,883	-	9,094	-	29,789
4,023	-	4,023	-	-
454,707	-	51,743	-	402,964
15,863	-	3,776	-	12,087
60,731	-	9,346	-	51,385
38,524	-	9,170	-	29,354
45,321	-	10,788	-	34,533
31,725	-	7,551	-	24,174
30,592	-	7,282	-	23,310
39,431	-	9,385	-	30,046
\$ 780,195	\$ -	\$ 127,012	\$ -	\$ 653,183

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

<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) (Noncash assistance)	10.569	N/A	\$ 320,013
Emergency Food Assistance Program (Administrative Costs)	10.568	84790	45,764
Emergency Food Assistance Program (Administrative Costs)	10.568	90071	116,372
Total Food Distribution Cluster			162,136
			482,149
Passed-Through Tennessee Department of Human Services:			
Child and Adult Care Food Program	10.558	03-47-55965-00-9	193,446
Child and Adult Care Food Program	10.558	03-47-55965-00-9	218,947
			412,393
			894,542
U.S. Department of Energy:			
Passed-Through Tennessee Housing Development Agency:			
Weatherization Assistance for Low-Income Persons	81.042	WAP-22-13	248,121
U.S. Department of Health and Human Services:			
Passed-Through Tennessee Department of Human Services:			
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	N/A	78,562
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	N/A	85,269
			163,831
Passed-Through Tennessee Housing Development Agency:			
Low-Income Home Energy Assistance Program	93.568	LIHEAP Wx-20-15	197,069
Low-Income Home Energy Assistance Program	93.568	LIHEAP-22-19	5,963,542
Low-Income Home Energy Assistance Program	93.568	LIHEAP-23-19	3,248,528
COVID-19 – Low-Income Home Energy Assistance - ARP	93.568	LIHEAP ARP-19	1,098,272
			10,507,411
COVID-19 – Low-Income Household Water Assistance Program	93.499	LIHWAP 22-19	1,180,894

(Continued)

**UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grantor Agency Award Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services: (Continued)			
Passed-Through Tennessee Department of Human Services:			
Community Services Block Grant	93.569	Z21-49120	\$ 28,374
Community Services Block Grant	93.569	Z22-49120	535,910
Community Services Block Grant	93.569	Z23-49120	665,246
Community Services Block Grant – CARES	93.569	Z22-49220COV	<u>387,036</u>
			<u>1,616,566</u>
Direct Grant:			
Head Start Full-Year, Part-Day (includes delegate expenses of \$941,987)	93.600	04CH010996/04	7,416,694
Head Start Covid (includes delegate expenses of \$-0-)	93.600	04CH010996/04C3	43,961
Head Start Full-Year, Part-Day (includes delegate expenses of \$874,180)	93.600	04CH010996/05	4,771,811
COVID-19 – Head Start – ARP (includes delegate expenses of \$183,652)	93.600	04HE000340/01C6	<u>548,623</u>
			<u>12,781,089</u>
			<u>26,249,791</u>
Department of Homeland Security			
Direct Grant:			
Emergency Food and Shelter	97.024	Various	53,335
COVID-19-Emergency Food and Shelter – CARES	97.024	Various	<u>76,110</u>
			<u>129,445</u>
Total Federal Programs			<u><u>\$ 27,521,899</u></u>

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2023**

**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. At June 30, 2023, UETHDA had no outstanding Federal loan balances requiring continuing disclosure.

**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, 2023, was 6.50%.

**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, 2023, are as follows:

<b>Delegate Agency</b>	<b>Federal Head Start</b>
Carter County Head Start	\$ 1,254,758
Johnson County Board of Education	<u>745,061</u>
	<u><u>\$ 1,999,819</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:

<b>Delegates/UETHDA</b>	<b>04CH010996/04</b>	<b>04CH010996/05</b>	<b>Total</b>
Carter County Head Start	\$ 85,362	\$ 190,583	\$ 275,945
Johnson County Board of Education	<u>10,272</u>	<u>126,025</u>	<u>136,297</u>
	95,634	316,608	412,242
UETHDA	<u>1,361,798</u>	<u>1,188,971</u>	<u>2,550,769</u>
Total Head Start in-kind	<u><u>\$ 1,457,432</u></u>	<u><u>\$ 1,505,579</u></u>	<u><u>\$ 2,963,011</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, 2023, and the related notes to the financial statements, which collectively comprise UETHDA’s basic financial statements, and have issued our report thereon dated December 5, 2023.

**Report on 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 or significant deficiencies may exist that have not been identified.**

## Report on 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 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 5, 2023



**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**

*Opinion on Each Major Federal Program*

We have audited Upper East Tennessee Human Development Agency, Inc.'s ("UETHDA") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on UETHDA's major federal programs for the year ended June 30, 2023. UETHDA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

*Basis for Opinion on Each Major Federal Program*

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of UETHDA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of UETHDA's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to UETHDA's federal programs.



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

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on UETHDA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about UETHDA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding UETHDA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of UETHDA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 UETHDA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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

### **Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 5, 2023

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2023

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies or material weaknesses** 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 or material weaknesses** 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>Assistance Listing #</u>
Low-Income Home Energy Assistance Program	93.568
Low-Income Household Water Assistance Program	93.499

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. 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, 2023

**Financial Statement Audit**

There were no prior findings reported.

**Major Federal Awards Programs**

**2022-001: Carter County Head Start Investigation**

*Condition:* The Office of the Comptroller of the Treasury of Tennessee conducted an investigation of selected records of UETHDA delegate Carter County Head Start. The results of the investigation determined that a former Head Start Administrative Assistant with Carter County had misappropriated Head Start funds due to inaccurate reporting during a previous fiscal year. The individual was charged with theft of property of \$8,657.

*Current Year Status:* Not applicable in the current year.