



Upper East Tennessee
Human Development Agency

Upper East Tennessee Human Development Agency, Inc.

Financial Report

June 30, 2024

 **BROWN EDWARDS**
certified public accountants

Upper East Tennessee Human Development Agency, Inc.

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Introductory Section



Upper East Tennessee Human Development Agency, Inc.

Directory of Officers and Directors

June 30, 2024

Officers

Timothy Jaynes.....Executive Director
Connie Shockley Finance Director
Kenneth Treadway..... Board Chairman (Target Sector)
Charles VonCannon Board Vice-Chair (Target Sector)
Sara MietznerBoard 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)
Kelly Geagley (a)
Pat Grindstaff
Pamela Hughes
Sue Mallory
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” Evelyn, 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
Ron Metcalfe
Sara Mietzner
Katherine Motsinger-Eller
Susan Payne
Polly Peterson, Esq.
Col. Henry Reyes
Andria Smith (a)
James Whiteside

(r) Designated Representative
(a) Alternate



Financial Section





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, 2024, 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, 2024, 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.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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. Such information is the responsibility of management, and, 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.

Supplementary 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is 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. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024, 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 11, 2024

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2024

Financial Highlights

UETHDA's expenditures this fiscal year were \$26,892,856 compared to \$27,817,950 for the period July 1, 2022 through June 30, 2023. This was an overall decrease in expenditures of \$925,094. This is primarily due to the decreases in expenditures in equipment and capital improvements of \$982,406.

Additionally:

- UETHDA's overall financial position, as reflected in total net position, increased by \$366,451 due to current year activities.
- In governmental funds, the total fund balance increased by \$7,936.

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 6 through 8 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.

Upper East Tennessee Human Development Agency, Inc.

Management’s Discussion and Analysis

June 30, 2024

- 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 9 through 12 of this report.

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 13 of this report.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2024

Financial Analysis

UETHDA as a Whole

Net Position

Table 1 below provides a summary of UETHDA's net position as of June 30, 2024 and 2023.

Table 1
Condensed Statement of Net Position

	Government-wide	
	2024	2023
Current assets	\$ 3,136,689	\$ 3,097,475
Capital assets	3,028,823	2,746,228
Total assets	<u>\$ 6,165,512</u>	<u>\$ 5,843,703</u>
Deferred outflow of resources	<u>\$ 1,582,501</u>	<u>\$ 1,777,360</u>
Current liabilities	\$ 1,864,393	\$ 1,833,424
Long-term liabilities	758,344	815,660
Other liabilities	235,092	505,094
Total liabilities	<u>\$ 2,857,829</u>	<u>\$ 3,154,178</u>
Deferred inflow of resources	<u>\$ 334,195</u>	<u>\$ 277,347</u>
Net investment in capital assets	\$ 2,505,700	\$ 2,093,045
Restricted – grant proceeds	50,626	43,228
Unrestricted	<u>1,999,663</u>	<u>2,053,265</u>
Total net position	<u>\$ 4,555,989</u>	<u>\$ 4,189,538</u>

In governmental activities, total assets and deferred outflow of resources increased by \$126,950, this is primarily due to an increase in capital assets of \$282,595. Total liabilities and deferred inflow of resources decreased by \$239,501, this is primarily due to a decrease in net pension liability of \$270,002. The change in net position is an increase of \$366,451.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2024

Financial Analysis (Continued)

Change in Net Position

Table 2 summarizes the change in net position for the fiscal years ended June 30, 2024 and 2023.

Table 2
Change in Net Position

	<u>2024</u>	<u>Percentage of Funding</u>	<u>2023</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$ 26,078,825	96.82%	\$ 26,030,678	93.50%
Capital grants and contributions	786,250	2.92%	1,768,657	6.35%
Miscellaneous	41,863	0.15%	23,794	0.09%
Interest and investments earnings	29,388	0.11%	16,403	0.06%
Total revenues	<u>26,936,326</u>	<u>100.00%</u>	<u>27,839,532</u>	<u>100.00%</u>
Expenditures:				
Community services programs	2,444,358	9.20%	2,224,382	8.46%
Weatherization/energy assistance	10,879,578	40.95%	11,962,557	45.50%
Child education	11,992,114	45.14%	11,380,122	43.29%
Nutrition programs	457,553	1.72%	412,393	1.57%
Emergency shelter programs	755,344	2.84%	291,397	1.11%
Corporate activities	40,928	0.15%	17,335	0.07%
Total expenditures	<u>26,569,875</u>	<u>100.00%</u>	<u>26,288,186</u>	<u>100.00%</u>
Change in net position	<u>\$ 366,451</u>		<u>\$ 1,551,346</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

June 30, 2024

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

	2024		2023	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Community services programs	\$ 2,444,358	\$ (38,582)	\$ 2,224,382	\$ (15,826)
Weatherization/energy assistance	10,879,578	(24,394)	11,962,557	(26,132)
Child education	11,992,114	399,548	11,380,122	1,570,258
Nutrition programs	457,553	-	412,393	-
Emergency shelter programs	755,344	(474)	291,397	184
Corporate activities	40,928	(40,898)	17,335	(17,335)
Totals	<u>\$ 26,569,875</u>	<u>\$ 295,200</u>	<u>\$ 26,288,186</u>	<u>\$ 1,511,149</u>

Governmental Funds

UETHDA completed the year with a total governmental fund balance of \$1,516,914 of which \$1,081,734 is general fund balance and \$435,180 is special revenue fund balance. This represents an increase of \$17,364 in general fund balance from \$1,064,370 as of June 30, 2023, and a decrease of \$9,428 in special revenue fund balance from \$444,608 as of June 30, 2023.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2024

Financial Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At the end of the 2024 fiscal year, UETHDA had invested a cumulative amount of \$6,740,379 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 \$622,642. Additional information about capital assets can be found in Note 5, pages 19 and 20. Total accumulated depreciation and amortization on these assets was \$3,711,556.

- UETHDA recognized depreciation and amortization expense of \$503,656 for governmental activities (see page 12).

Table 4
Capital Assets

	<u>2024</u>	<u>2023</u>	<u>% Change</u>
Land	\$ 21,000	\$ 21,000	0.00%
Buildings and capital improvements	2,874,482	2,432,789	144.02%
Furniture and equipment	546,345	546,345	-6.77%
Vehicle	2,398,388	2,074,641	10.32%
Right-of-use leased asset	900,164	900,164	0.00%
Accumulated depreciation and amortization	<u>(3,711,556)</u>	<u>(3,228,711)</u>	6.10%
Totals	<u>\$ 3,028,823</u>	<u>\$ 2,746,228</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 6.10% for the year ended June 30, 2023.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2024

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 45% was provided under Head Start and approximately 36% was provided under Low-Income Home Energy Assistance Program. Both of these programs are funded by the U.S. Department of Health and Human Services.

Contacting UETHDA's Financial Management

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



Basic Financial Statements





Government-Wide Financial Statements



Upper East Tennessee Human Development Agency, Inc.

Statement of Net Position

June 30, 2024

ASSETS

CURRENT ASSETS

Cash (Note 2)	\$ 617,745
Receivables	
Due from grantor agencies (Note 3)	2,243,995
Other accounts receivable	47,781
Prepaid expenses	55,886
Inventory	171,282
	<hr/>
Total current assets	3,136,689

CAPITAL ASSETS (Note 5)

Land and building and capital improvements	2,895,482
Furniture and equipment	546,345
Vehicles	2,398,388
Right-of-use asset	900,164
	<hr/>

	6,740,379
Less accumulated depreciation and amortization	3,711,556
	<hr/>

Net capital assets	3,028,823
	<hr/>

Total assets	6,165,512
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DEFERRED OUTFLOW OF RESOURCES

Deferred outflows related to pensions (Note 8)	1,512,483
Deferred outflows related to other postemployment benefits (Note 9)	70,018
	<hr/>

Total deferred outflow of resources	1,582,501
	<hr/>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	1,010,006
Accrued payroll and related expenses	323,308
Compensated absences, current (Note 6)	308,766
Lease liabilities, current (Note 6)	137,715
Unearned revenues (Note 3)	84,598
	<hr/>

Total current liabilities	1,864,393
	<hr/>

Upper East Tennessee Human Development Agency, Inc.

Statement of Net Position

June 30, 2024

LONG-TERM LIABILITIES

Compensated absences, net of current portion (Note 6)	144,589
Lease liabilities, net of current portion (Note 6)	385,408
Net pension liability (Note 8)	235,092
Other postemployment benefits liability (Note 9)	228,347

Total long-term liabilities	993,436
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Total liabilities	2,857,829
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DEFERRED INFLOW OF RESOURCES

Deferred inflows related to pensions (Note 8)	138,377
Deferred inflows related to other postemployment benefits (Note 9)	195,818

Total deferred inflow of resources	334,195
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NET POSITION

Net investment in capital assets	2,505,700
Restricted – contributions	50,626
Unrestricted	1,999,663

Total net position	\$ 4,555,989
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Upper East Tennessee Human Development Agency, Inc.

Statement of Activities Year Ended June 30, 2024

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	\$ 1,473,086	\$ (1,473,086)	\$ -	\$ -	\$ -
Community services programs	2,321,184	123,174	2,405,776	-	(38,582)
Energy assistance	10,196,985	682,593	10,855,184	-	(24,394)
Child education	11,399,632	592,482	11,605,412	786,250	399,548
Nutrition programs	428,313	29,240	457,553	-	-
Emergency shelter programs	709,747	45,597	754,870	-	(474)
Total program activities	<u>26,528,947</u>	<u>-</u>	<u>26,078,795</u>	<u>786,250</u>	<u>336,098</u>
Support services:					
General government	15,079	(15,079)	-	-	-
Corporate activities	25,849	15,079	30	-	(40,898)
Total support services	<u>40,928</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>(40,898)</u>
Total organization	<u>\$ 26,569,875</u>	<u>\$ -</u>	<u>\$ 26,078,825</u>	<u>\$ 786,250</u>	<u>295,200</u>
General revenue:					
Miscellaneous					41,863
Interest and investment earnings					29,388
Total general revenue					<u>71,251</u>
Change in net position					366,451
NET POSITION, beginning of year					<u>4,189,538</u>
NET POSITION, end of year					<u>\$ 4,555,989</u>



Fund Financial Statements

Upper East Tennessee Human Development Agency, Inc.

Balance Sheet Governmental Funds June 30, 2024

	General	Special Revenue	Total
ASSETS			
Cash (Note 2)	\$ 617,745	\$ -	\$ 617,745
Receivables:			
Due from grantor agencies (Note 3)	-	2,243,995	2,243,995
Other receivables	1,031	46,750	47,781
Due from other funds	433,604	-	433,604
Prepaid expenses	29,654	26,232	55,886
Inventory	-	171,282	171,282
	<u>\$ 1,082,034</u>	<u>\$ 2,488,259</u>	<u>\$ 3,570,293</u>
LIABILITIES			
Accounts payable	\$ 300	\$ 1,009,706	\$ 1,010,006
Accrued payroll and related expenses	-	323,308	323,308
Due to other funds	-	433,604	433,604
Unearned grant revenues (Note 3)	-	84,598	84,598
	<u>300</u>	<u>1,851,216</u>	<u>1,851,516</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable grant revenues	-	201,863	201,863
FUND BALANCES			
Nonspendable:			
Inventory	-	171,282	171,282
Prepaid expenses	29,654	26,232	55,886
Restricted	-	50,626	50,626
Unassigned	1,052,080	187,040	1,239,120
	<u>1,081,734</u>	<u>435,180</u>	<u>1,516,914</u>
Total fund balances	<u>1,081,734</u>	<u>435,180</u>	<u>1,516,914</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,082,034</u>	<u>\$ 2,488,259</u>	<u>\$ 3,570,293</u>

Upper East Tennessee Human Development Agency, Inc.

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2024

Total fund balance – governmental funds		\$ 1,516,914
<p>Total net position reported to governmental activities in the statement of net position are different from the amount reported above as total governmental funds balance because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:</p>		
Governmental capital assets	\$ 6,740,379	
Less governmental accumulated depreciation and amortization	3,711,556	
Net capital assets		3,028,823
<p>Revenues in the statement of activities that do not provide current financial resources are deferred in the governmental funds. Amounts reported in the statement of net position but deferred in the governmental funds are:</p>		
Unavailable amounts due from grantor agencies		201,863
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences		(453,355)
Lease liabilities		(523,123)
<p>Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and other post employment benefits will be amortized and recognized as components of pension expense in future years.</p>		
Deferred outflows related to pensions	1,512,483	
Deferred outflows related to other postemployment benefits	70,018	
Deferred inflows related to pensions	(138,377)	
Deferred inflows related to other postemployment benefits	(195,818)	
Net deferral of resources		1,248,306
Net pension liabilities		(235,092)
<p>Other postemployment benefits liabilities of the agency represents a long-term liability for which future funds will be necessary to fund.</p>		
		(228,347)
Total net position – governmental activities		\$ 4,555,989

Upper East Tennessee Human Development Agency, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2024

	General Fund	Special Revenue Fund	Total
REVENUES			
Grants	\$ -	\$ 26,084,323	\$ 26,084,323
Local contributions	30	236,189	236,219
Other	28,552	13,311	41,863
Interest income	29,388	-	29,388
Commodities	-	508,999	508,999
	<u>57,970</u>	<u>26,842,822</u>	<u>26,900,792</u>
Total revenues			
EXPENDITURES			
Salaries	14,993	6,966,063	6,981,056
Fringe benefits	2,846	2,347,464	2,350,310
Travel	243	349,344	349,587
Communications	101	91,699	91,800
Utilities	3	72,871	72,874
Office supplies	-	56,374	56,374
Program supplies	710	1,088,595	1,089,305
Maintenance and repairs	184	497,738	497,922
Rental buildings	-	150,478	150,478
Contractual	54	188,100	188,154
Delegate agencies	-	2,002,566	2,002,566
Equipment rent	-	17,429	17,429
Equipment (sensitive minor)	-	223,371	223,371
Equipment and capital improvements	-	786,250	786,250
Insurance	121	102,247	102,368
Advertising	-	58,157	58,157
Direct client assistance	581	9,683,710	9,684,291
Parent activities, meetings, interest, and fees	5,392	26,923	32,315
Training	299	135,539	135,838
Indirect costs	15,079	1,473,086	1,488,165
Commodities distributed	-	534,246	534,246
	<u>40,606</u>	<u>26,852,250</u>	<u>26,892,856</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	17,364	(9,428)	7,936
FUND BALANCES, beginning of year	<u>1,064,370</u>	<u>444,608</u>	<u>1,508,978</u>
FUND BALANCES, end of year	<u>\$ 1,081,734</u>	<u>\$ 435,180</u>	<u>\$ 1,516,914</u>

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, 2024

Net change in fund balances – total governmental funds \$ 7,936

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	\$ 786,251	
Depreciation and amortization expense	(503,656)	

Amount by which capital acquisitions are more than depreciation in the current period		282,595
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Revenues are reported in the governmental funds if they provide current financial resources to liquidate liabilities of the current period.

Unavailable revenues		35,622
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Vested accrued vacation and personal leave are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Accrued vacation and personal leave earned	(308,766)	
Accrued vacation and personal leave paid	264,724	

Net accrued vacation and personal leave earned		(44,042)
--	--	----------

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

Principal repayments on lease liabilities		130,060
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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	(539,696)	
Other postemployment benefits expense recognized in the statement of activities	8,930	
Pension expense recognized in the governmental funds	485,046	

Net difference in the amount of pension and other postemployment benefit expense recognized		(45,720)
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Change in net position – governmental activities		\$ 366,451
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Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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.

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

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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 and donations 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.

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 arise 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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

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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.

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:

	<u>Estimated Useful Life (In Years)</u>
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

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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.

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, 2024. 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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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 fiscal year in which 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, 2024, was 6.70%.

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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

- 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.

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

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash with financial institution	\$ 698,783	\$ 617,745

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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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.

Note 3 – Receivable – Due from Grantor Agencies

Receivables from grantor agencies consisted of the following:

Federal	\$	256,977
State		1,987,018
	\$	<u>2,243,995</u>

Governmental funds report unavailable 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	\$ -	\$ 201,863
Federal grant funding	84,598	-
	<u>\$ 84,598</u>	
Government-wide unearned revenues		
Special revenue fund unavailable revenues		<u>\$ 201,863</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, 2024, was \$133,062.

Note 5 – Capital Assets

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

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Capital assets being depreciated				
Building and capital improvements	2,432,789	462,504	(20,811)	2,874,482
Furniture and equipment	546,345	-	-	546,345
Vehicles	2,074,641	323,747	-	2,398,388
Total capital assets being depreciated	5,053,775	786,251	(20,811)	5,819,215
Less accumulated depreciation				
Buildings and capital assets	624,445	236,959	(20,811)	840,593
Furniture and equipment	515,461	12,814	-	528,275
Vehicles	1,803,209	115,038	-	1,918,247
Total accumulated depreciation	2,943,115	364,811	(20,811)	3,287,115
Capital assets being depreciated, net of accumulated depreciation	2,110,660	421,440	-	2,532,100
Governmental activities capital assets, net	2,131,660	421,440	-	2,553,100
Right-of-use leased assets				
Buildings	900,164	-	-	900,164
Less accumulated amortization	(285,596)	(138,845)	-	(424,441)
Lease assets, net	614,568	(138,845)	-	475,723
Total capital assets, net	\$ 2,746,228	\$ 282,595	\$ -	\$ 3,028,823

Depreciation and amortization expense for the year ended June 30, 2024, was \$503,656. This total is broken out by program as follows:

Governmental activities	
Child education	\$ 408,815
Community services programs	66,165
Weatherization	28,355
Local	321
Total depreciation and amortization expense	\$ 503,656

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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	\$ 409,313	\$ 308,766	\$ (264,724)	\$ 453,355	\$ 308,766
Lease liabilities	653,183	-	(130,060)	523,123	137,715
Pension liability	-	235,092	-	235,092	-
Other postemployment benefits liability	164,332	83,340	(19,325)	228,347	-
Total Governmental activities long-term liabilities	<u>\$ 1,226,828</u>	<u>\$ 627,198</u>	<u>\$ (414,109)</u>	<u>\$ 1,439,917</u>	<u>\$ 446,481</u>

The annual requirements to amortize lease liabilities are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 137,715	\$ 11,893
2026	146,446	9,583
2027	83,630	6,036
2028	90,373	3,438
2029	64,959	830
	<u>\$ 523,123</u>	<u>\$ 31,780</u>

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.

Note 7 – Restricted Net Position

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

Community Services local contributions	\$ 34,809
LIHEAP local contributions	9,962
Head Start local contributions	1,308
Reading is Fundamental donations	4,547
	<u>\$ 50,626</u>

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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	120
Inactive employees entitled to but not yet receiving benefits	500
Active employees	241
	<hr/>
	861

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, 2024, the employer contributions for UETHDA were \$568,289 based on a rate of 7.13% 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

Upper East Tennessee Human Development Agency, Inc.

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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, 2023, 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, 2023, 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%

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

The actuarial assumptions used in the June 30, 2023, 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:

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
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 equity	1.20	20
Real estate	4.38	10
Short-term securities	3.00	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.

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)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2022	\$ 18,791,168	\$ 18,286,074	\$ 505,094
Changes for the year			
Service cost	683,553	-	683,553
Interest	1,290,809	-	1,290,809
Expected vs. actual experience	(163,785)	-	(163,785)
Changes in assumptions	-	-	-
Contributions – employer	-	509,874	(509,874)
Contributions – employee	-	359,071	(359,071)
Net investment income	-	1,233,984	(1,233,984)
Benefit payments, including refunds	(703,246)	(703,246)	-
Administrative expense	-	(22,350)	22,350
Net changes	1,107,331	1,377,333	(270,002)
Balance at June 30, 2023	\$ 19,898,499	\$ 19,663,407	\$ 235,092

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Net pension liability (asset)	<u>\$ 3,350,169</u>	<u>\$ 235,092</u>	<u>\$ (2,273,143)</u>

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

Pension Expense

For the year ended June 30, 2024, UETHDA recognized pension expense of \$622,939.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2024, UETHDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 130,518	\$ 138,377
Difference between projected and actual earnings on investments, net	157,305	-
Changes in assumptions	656,371	-
Contributions subsequent to the measurement date of June 30, 2023	568,289	-
	<u>\$ 1,512,483</u>	<u>\$ 138,377</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” will be recognized as a reduction to net pension liability in the following measurement period.

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

<u>Year Ending</u>	
2025	\$ 254,295
2026	188,541
2027	361,949
2028	1,032
2029	-
Thereafter	-
	<u>\$ 805,817</u>

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

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

Payable to the Pension Plan

At June 30, 2024, UETHDA reported a payable of \$47,570 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

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 postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits Provided

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

Employees Covered by Benefit Terms

At July 1, 2023, 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	228
	<hr/>
	228

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, 2024, UETHDA paid \$1,235 to the LGOP for OPEB benefits as they became due.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

Total OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%.
Healthcare cost trend rates	10.31% for pre-65 in 2023, decreasing annually over a 11-year period, to an ultimate rate of 4.50%. 12.44% for post-65 in 2023, decreasing annually over an 11-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, 2022 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-2021 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-2021.

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-2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65 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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

Changes in the Total OPEB liability

Balance at June 30, 2022	\$ 164,332
Changes for the year:	
Service cost	21,511
Interest	6,540
Difference between expected and actual experience	(17,085)
Changes in assumptions	55,289
Benefit payments	(2,240)
Net changes	64,015
Balance at June 30, 2023	<u>\$ 228,347</u>

Changes in Assumptions

The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. 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.

	<u>Discount Rate Assumptions</u>		
	<u>1.00% Decrease (2.65%)</u>	<u>Current (3.65%)</u>	<u>1.00% Increase (4.65%)</u>
Total OPEB liability	<u>\$ 250,491</u>	<u>\$ 228,347</u>	<u>\$ 207,868</u>

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.

	<u>Healthcare Cost Trend Rate Assumption</u>		
	<u>1% Decrease (9.31%/11.44% Decreasing to 3.50%)</u>	<u>Current (10.31%/12.44% Decreasing to 4.50%)</u>	<u>1.00% Increase (11.31%/13.44% Decreasing to 5.50%)</u>
Total OPEB liability	<u>\$ 199,242</u>	<u>\$ 228,347</u>	<u>\$ 262,806</u>

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

OPEB Expense

For the year ended June 30, 2024, UETHDA recognized OPEB expense of \$(7,695).

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2024, UETHDA reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 106,901
Changes in assumptions	68,783	88,917
Employer payments subsequent to the measurement date	1,235	-
	\$ 70,018	\$ 195,818

The amounts for “Employer payments subsequent to the measurement date” will be recognized as a reduction to total OPEB liability in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2025	\$ (35,746)
2026	(35,388)
2027	(22,420)
2028	(20,834)
2029	(13,113)
Thereafter	466

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 45% and 36% 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 19% 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.

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:

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2024

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 1,299,497
Johnson County Board of Education	703,069
	<u>\$ 2,002,566</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 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.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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



Required Supplementary Information

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, 2024

	Plan Year			
	2023	2022	2021	2020
Total Pension Liability				
Service cost	\$ 683,553	\$ 674,694	\$ 537,711	\$ 479,808
Interest	1,290,809	1,193,173	1,085,259	1,024,609
Expected vs. actual experience	(163,785)	261,036	(38,845)	(98,440)
Change of assumptions	-	-	1,640,926	-
Benefit payments, including refunds of employee contributions	(703,246)	-	-	-
	<u>-</u>	<u>(679,358)</u>	<u>(629,604)</u>	<u>(625,052)</u>
Net change in total pension liability	1,107,331	1,449,545	2,595,447	780,925
Total pension liability – beginning	<u>18,791,168</u>	<u>17,341,623</u>	<u>14,746,176</u>	<u>13,965,251</u>
Total pension liability – ending	<u>19,898,499</u>	<u>18,791,168</u>	<u>17,341,623</u>	<u>14,746,176</u>
Plan Fiduciary Net Position				
Contributions – employer	509,874	383,715	369,093	314,260
Contributions – employee	359,071	346,316	334,712	283,632
Net investment income (loss)	1,233,984	(726,846)	3,888,144	712,138
Benefit payments, including refunds of employee contributions	(703,246)	(679,358)	(629,604)	(625,052)
Administrative expenses	(22,350)	(23,694)	(22,889)	(18,885)
Other changes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	1,377,333	(699,867)	3,939,456	666,093
Plan fiduciary net position – beginning	<u>18,286,074</u>	<u>18,985,941</u>	<u>15,046,485</u>	<u>14,380,392</u>
Plan fiduciary net position – ending	<u>19,663,407</u>	<u>18,286,074</u>	<u>18,985,941</u>	<u>15,046,485</u>
Net pension (asset) liability	<u>\$ 235,092</u>	<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>98.82%</u>	<u>97.31%</u>	<u>109.48%</u>	<u>102.04%</u>
Covered-employee payroll	<u>\$ 7,181,326</u>	<u>\$ 6,926,262</u>	<u>\$ 6,662,310</u>	<u>\$ 5,672,576</u>
Net pension (asset) liability as a percentage of covered-employee payroll	<u>3.27%</u>	<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.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

Exhibit 7

Plan Year					
2019	2018	2017	2016	2015	2014
\$ 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>

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, 2024

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
2024	\$ 568,289	\$ 568,289	\$ -	\$ 7,970,381	7.13 %
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

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, 2024

Note 1 – Valuation Date

Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022, 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 Liability and Related
Ratios and Related Notes
Year Ended June 30, 2024

	Fiscal Year Ended			
	2024	2023	2022	2021
Total Other Postemployment Benefit Liability				
Service cost	\$ 21,511	\$ 36,173	\$ 38,851	\$ 27,920
Interest	6,540	5,765	6,913	9,405
Expected vs. actual experience	(17,085)	(40,933)	(23,096)	(26,135)
Change of assumptions	55,289	(65,879)	(62,663)	25,875
Benefit payments	(2,240)	(3,001)	(3,504)	(2,732)
Net change in total pension liability	64,015	(67,875)	(43,499)	34,333
Total other postemployment benefit liability – beginning	<u>164,332</u>	<u>232,207</u>	<u>275,706</u>	<u>241,373</u>
Total other postemployment benefit liability – ending	<u>\$ 228,347</u>	<u>\$ 164,332</u>	<u>\$ 232,207</u>	<u>\$ 275,706</u>
Covered-employee payroll	<u>\$ 5,913,253</u>	<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>3.86%</u>	<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

Fiscal Year Ended		
2020	2019	2018
\$ 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 Information



Upper East Tennessee Human Development Agency, Inc.

Schedule Changes in Lease Obligations

For the Fiscal Year Ended June 30, 2024

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date
GOVERNMENTAL ACTIVITIES				
LEASES PAYABLE				
<u>Payable through Special Revenue Fund</u>				
Bill McMurry	\$ 25,106	3.00 %	7/1/2021	6/30/2026
Carla Veath	47,465	3.00	5/1/2021	6/30/2026
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				

Outstanding July 1, 2023	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2024
\$ 15,541	\$ -	\$ 5,003	\$ -	\$ 10,538
29,789	-	9,420	-	20,369
402,964	-	56,596	-	346,368
12,087	-	3,891	-	8,196
51,385	-	9,630	-	41,755
29,354	-	9,449	-	19,905
34,533	-	11,115	-	23,418
24,174	-	7,781	-	16,393
23,310	-	7,503	-	15,807
30,046	-	9,672	-	20,374
<u>\$ 653,183</u>	<u>\$ -</u>	<u>\$ 130,060</u>	<u>\$ -</u>	<u>\$ 523,123</u>



Compliance Section





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, 2024, and the related notes to the financial statements, which collectively comprise UETHDA’s basic financial statements, and have issued our report thereon dated December 11, 2024.

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 UETHDA'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 11, 2024

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, 2024. 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, 2024.


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.

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.

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 11, 2024

Upper East Tennessee Human Development Agency, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grantor Agency Award Number	Federal Expenditures
U.S. Department of Agriculture:			
<i>Passed-Through Tennessee Department of Agriculture:</i>			
Food Distribution Cluster:			
Emergency Food Assistance Program (Food Commodities) (Noncash assistance)	10.569	N/A	534,246
Emergency Food Assistance Program (Administrative Costs)	10.568	90071	30,628
Emergency Food Assistance Program (Administrative Costs)	10.568	94787	<u>154,590</u>
			<u>185,218</u>
Total Food Distribution Cluster			719,464
<i>Passed-Through Tennessee Department of Human Services:</i>			
Child and Adult Care Food Program	10.558	03-47-55965-00-9	226,418
Child and Adult Care Food Program	10.558	03-47-55965-00-9	<u>231,136</u>
			<u>457,554</u>
Total U.S. Department of Agriculture			<u><u>1,177,018</u></u>
U.S. Department of Energy:			
<i>Passed-Through Tennessee Housing Development Agency:</i>			
Weatherization Assistance for Low-Income Persons	81.042	WAP-23-13	292,536
			<u>292,536</u>
Total U.S. Department of Energy			<u><u>292,536</u></u>
U.S. Department of Health and Human Services:			
<i>Passed-Through Tennessee Department of Human Services:</i>			
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	N/A	95,140
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	N/A	123,065
Temporary Assistance for Needy Families (Families First Community)	93.558	76883	<u>406,868</u>
			625,073
<i>Passed-Through Tennessee Housing Development Agency:</i>			
Low-Income Home Energy Assistance Program	93.568	LIHEAP Wx-20-15	221,122
Low-Income Home Energy Assistance Program	93.568	LIHEAP Wx-22-12	2,883
Low-Income Home Energy Assistance Program	93.568	LIHEAP 24-19	3,526,598
Low-Income Home Energy Assistance Program	93.568	LIHEAP 23-19	2,481,319
Low-Income Home Energy Assistance Program	93.568	LIHEAP 23-19	2,882,995
Low-Income Home Energy Assistance Program	93.568	LIHEAP INF 22-19	160,426
Low-Income Home Energy Assistance Program	93.568	LIHEAP 23-19	144,150
Low-Income Home Energy Assistance Program	93.568	LIHEAP 24-19	<u>130,802</u>
			9,550,295
Low-Income Household Water Assistance Program	93.499	LIHWAP 22-19	1,002,355
			1,002,355
<i>Passed-Through Tennessee Housing Development Agency:</i>			
COVID-19 - Emergency Rental Assistance Program	21.023	CVRR-22-15	4,700
COVID-19 - Emergency Rental Assistance - Eviction Prevention Program	21.023	ERA-EEP-2023-33	<u>529,131</u>
			533,831
<i>Passed-Through Tennessee Department of Human Services:</i>			
Community Services Block Grant	93.569	Z22-49120	17,592
Community Services Block Grant	93.569	Z23-49120	512,026
Community Services Block Grant	93.569	Z24-49120	<u>739,376</u>
			1,268,994

Upper East Tennessee Human Development Agency, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grantor Agency Award Number	Federal Expenditures
<i>Passed-Through Tennessee Department of Human Services:</i>			
CCDF Cluster:			
TDHS Support and Enhancement Grant - Bluff City	93.575	N/A	3,995
TDHS Support and Enhancement Grant - Boones Creek	93.575	N/A	3,996
TDHS Support and Enhancement Grant - Carters Valley	93.575	N/A	3,999
TDHS Support and Enhancement Grant - Children First	93.575	N/A	5,000
TDHS Support and Enhancement Grant - Dobbins	93.575	N/A	3,996
TDHS Support and Enhancement Grant - Dunbar	93.575	N/A	3,989
TDHS Support and Enhancement Grant - Florida Avenue	93.575	N/A	3,997
TDHS Support and Enhancement Grant - Fugate Hill	93.575	N/A	3,993
TDHS Support and Enhancement Grant - George Clem	93.575	N/A	3,995
TDHS Support and Enhancement Grant - Grandview	93.575	N/A	3,996
TDHS Support and Enhancement Grant - Harmony	93.575	N/A	4,000
TDHS Support and Enhancement Grant - Indian Springs	93.575	N/A	3,998
TDHS Support and Enhancement Grant - Lake Terrace	93.575	N/A	3,999
TDHS Support and Enhancement Grant - Little Bucs	93.575	N/A	3,999
TDHS Support and Enhancement Grant - Miller Perry	93.575	N/A	3,998
TDHS Support and Enhancement Grant - Mooresburg	93.575	N/A	3,996
TDHS Support and Enhancement Grant - Sneedville	93.575	N/A	4,997
TDHS Support and Enhancement Grant - Sullivan	93.575	N/A	3,999
TDHS Support and Enhancement Grant - Surgoinsville	93.575	N/A	3,994
TDHS Support and Enhancement Grant - Unicoi/Erwin	93.575	N/A	3,995
TDHS Support and Enhancement Grant - Westview	93.575	N/A	4,000
Total CCDF Cluster			85,931
 <i>Direct Grant:</i>			
Head Start Cluster:			
Head Start Full -Year, Part-Day (includes delegate expenses of \$1,058,872)	93.600	04CH010996/05	7,053,580
Head Start Full -Year, Part-Day (includes delegate expenses of \$943,694)	93.600	04CH010996/06	5,028,669
Total Head Start Cluster			12,082,249
Total U.S. Department of Health and Human Services			25,148,728
 Department of Homeland Security			
<i>Direct Grant:</i>			
Emergency Food and Shelter	97.024	Various	32,542
COVID 19 - Emergency Food and Shelter	97.024	Various	3,369
			35,911
Total Department of Homeland Security			35,911
 Total Federal Programs			\$ 26,654,193

Upper East Tennessee Human Development Agency, Inc.

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2024

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, 2024, UETHDA had no outstanding Federal loan balances requiring continuing disclosure.

Note 2 – De Minimis Indirect Cost Rate

UETHDA did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. 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, 2024, was 6.70%.

Note 3 – Delegate Agencies

UETHDA delegates a portion of their federal Head Start program to two local school districts. Expenditures reported by the delegates for the year ended June 30, 2024, are as follows:

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 1,299,497
Johnson County Board of Education	703,069
	\$ 2,002,566

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:

Delegates/UETHDA	04CH010996/05	04CH010996/06	Total
Carter County Head Start	\$ 98,250	\$ 192,331	\$ 290,581
Johnson County Board of Education	34,028	150,790	184,818
	132,278	343,121	475,399
UETHDA	1,188,971	1,178,928	2,367,899
Total Head Start in-kind	\$ 1,321,249	\$ 1,522,049	\$ 2,843,298

Upper East Tennessee Human Development Agency, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

A – SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no 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 and no 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; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards 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>
Head Start Cluster	93.600

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, 2024

Financial Statement Audit

None.

Major Federal Awards Programs

None.

State of Tennessee

None.