

**UPPER CUMBERLAND HUMAN RESOURCE
AGENCY**

Cookeville, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2022

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
Upper Cumberland Human Resource Agency**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Upper Cumberland Human Resource Agency, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency'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 each major fund of the Upper Cumberland Human Resource Agency, as of June 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Agency'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.

Auditors' 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 auditors' report that includes our opinions. 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 the Agency'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 the Agency'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, certain pension information, and certain OPEB information on pages v through viii and pages 30 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of general long-term debt requirements and schedule of long-term debt by individual issue on pages 36 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 general long-term debt requirements, schedule of long-term debt by individual issue, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The roster of management and board members has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the roster of management and board members.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 the Agency's internal control over financial reporting and compliance.

Johnson, Niskey & Meacham, P.C.

Chattanooga, Tennessee
December 21, 2022

**Upper Cumberland Human Resource Agency
Management's Discussion and Analysis
Year Ended June 30, 2022**

This section of Upper Cumberland Human Resource Agency's annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year that ended June 30, 2022. The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

OVERVIEW OF FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: government wide financial statements; fund financial statements; and notes to the financial statements. The Agency also includes in this report additional information to supplement the financial statements.

Government-Wide Financial Statements

The Agency's annual reports includes two government-wide financial statements; the Statement of Net Position and the Statement of Activities. These statements report, on an accrual basis, all assets and liabilities and the changes in them. The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The first of these government-wide financial statements is the Statement of Net Position. This is the agency-wide statement of financial position presenting information that includes all of the Agency's assets and liabilities, deferred outflows of resources, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall health of the Agency would extend to other non-financial factors in addition to the financial information provided in this report.

The second government-wide financial statement is the Statement of Activities, which reports how the Agency's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's local governments and grantors.

The Agency operates programs through federal, state, and local government grants. All revenues generated through these programs are from grants, contracts, and fees for services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Agency uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Agency's funds rather than the Agency as a whole. The Agency utilizes one governmental fund – a general fund – to account for all of its activities.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Agency's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of the short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. They provide explanation of the financial statements and provide more detailed data.

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency’s net position increased \$2,612,734 during the fiscal year from a beginning balance of \$7,350,548 to \$9,963,282 at fiscal yearend.

	Total Primary Government	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 7,641,885	\$7,554,360
Capital assets	<u>5,803,767</u>	<u>4,179,509</u>
Total assets	<u>13,445,652</u>	<u>11,733,869</u>
Deferred outflows of resources	<u>1,390,340</u>	<u>566,714</u>
Current liabilities	1,113,891	4,298,104
Long-term liabilities	<u>2,259,057</u>	<u>339,996</u>
Total liabilities	<u>3,372,948</u>	<u>4,638,100</u>
Deferred inflows of resources	<u>1,499,762</u>	<u>311,935</u>
Net position		
Investment in capital assets	3,694,597	4,158,188
Restricted	5,435,977	4,345,793
Unrestricted	<u>832,708</u>	<u>(1,153,433)</u>
Total net position	<u>\$ 9,963,282</u>	<u>\$7,350,548</u>

Investment in capital assets represents net assets used to acquire those assets and 37.08% of total net position. Unrestricted net position comprises 8.36% of total net position.

	Total Primary Government	
	<u>2022</u>	<u>2021</u>
Program Revenues		
Charges for services	\$ 2,732,642	\$ 3,842,908
Operating grants and contributions	21,093,242	18,381,360
Capital grants and contributions	-	777,567
General revenues		
Interest	7,106	8,601
Other general revenues	<u>2,447,801</u>	<u>18,624</u>
Total revenues	26,280,791	23,029,060
Program expenses		
General government	<u>23,668,057</u>	<u>23,012,663</u>
Increase (decrease) in net position	<u>\$ 2,612,734</u>	<u>\$ 16,397</u>

Governmental activities are supported by charges for services and grants/contributions. Additionally, general revenues cover any net expenses after program specific revenues are applied.

Since the Agency continues to derive the vast majority of its funding from the State and Federal governments, and those funds appear to be stable at the present time, the overall financial outlook of the Agency can be characterized as “good.” Despite the fact, the Agency continues to seek and implement cost control measures as funding from those sources does not always increase on an annual basis in keeping up with the rate of inflation (i.e., labor, employee benefit, and other operating costs).

FINANCIAL ANALYSIS OF THE AGENCY’S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of expendable resources focus. This information is useful in assessing resources available at year-end. Governmental funds reported ending fund balance of \$4,982,786. Of this year-end total, \$360,928 is unassigned, indicating availability for continuing Agency requirements. The remaining fund balance is comprised of \$3,467,061 restricted for transportation programs, \$23,042 restricted for CASA programs, \$58,408 restricted for energy programs, \$15,102 restricted for community service programs, \$381,179 assigned to the retiree account, \$386 assigned to the flower fund, and \$676,680 is nonspendable. Revenues exceeded expenditures by \$2,555,152.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Agency’s capital assets totaled \$13,120,321, with accumulated depreciation and amortization of \$7,316,554 for a net book value of \$5,803,767 at June 30, 2022. There were capital outlays of \$2,792,302 during the period ending June 30, 2022. Depreciation and amortization in the current period was \$1,164,961.

Debt Administration

During the year ending June 30, 2022, debt had a net increase of \$1,861,295 which resulted in an ending balance of \$2,259,057.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On March 11, 2020 a global pandemic was declared in response to the rapid spread of the virus COVID-19. This global health emergency has had a significant impact on some of the service programs that UCHRA administers, and the global economy. The pandemic does seem to be reaching an end as the number of active cases and deaths have decreased significantly. However, the effects on the economy are still being felt by the citizens within the fourteen counties that the agency serves.

Residual funds from the CARES Act have continued to be utilized in UCHRA's Transportation department during the fiscal, but are anticipated to be depleted within fiscal year 22-23. These funds have provided assistance to supplement transportation when ridership has decreased due to spikes of COVID-19 cases. Additional funding was also provided to individuals, cities, counties, local governments and non-profits through the Consolidated Appropriations Act passed in December of 2021 and the \$1.9 trillion American Rescue Plan passed into law on March 11, 2021. The LIHEAP program received \$5,313,590 in funding to assist clients with energy assistance.

UCHRA was awarded a PPP loan in the amount of \$1,727,300 in fiscal year 2020-2021. The Agency was notified that the Small Business Administration (SBA) had forgiven the loan in its entirety on August 18, 2021. However, due to guidance issued the PPP expenses incurred during the fiscal year (2020-2021) had to be recognized during that same time period, but the revenue could not be recognized until this year when SBA had officially forgiven the Paycheck Protection Loan. This resulted in a significant decrease in unrestricted fund balance in 2020-2021. Now that the revenue for the forgiven PPP loan has now been recognized in this fiscal year (2021-2022), the Agency has a positive unrestricted fund balance as of June 30, 2022.

The Agency contracts primarily with agencies in the State of Tennessee and managed care organizations (MCO); therefore, they are not directly affected by macroeconomic factors. However, the state, federal and local governments and MCOs are affected by these factors, indirectly affecting our Agency's grant and operating budgets. These effects can be positive or negative due to the economic environment. The Agency will continue to be cautious and efficient with controlling costs to assure it remains within its budgetary spending limits on a grant by grant basis.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances, comply with finance-related laws and regulation and demonstrate the Agency's commitment to public accountability. If you have any questions about this report or would like additional information, contact the Agency's Executive Director at 1104 England Drive, Cookeville, TN 38501.

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
ROSTER OF MANAGEMENT AND BOARD MEMBERS
YEAR ENDED JUNE 30, 2022**

MANAGEMENT

Mark Farley
Ginger Stout

Executive Director
Finance Director

BOARD OF DIRECTORS

Officers

Randy Heady, Jackson County
Jeff Mason, Smith County
Sarah Marie Smith, Smith County
Denny Wayne Robinson, White County

Chairman
Vice Chairman
Secretary
Treasurer

Other Members of the Board

Brent Bush, Cannon County
Luke Collins, Clay County
Tim Stribling, DeKalb County
Jimmy Johnson, Fentress County
Steve Jones, Macon County
Carey Garner, Pickett County
Greg Wilson, Van Buren County
Jimmy Haley, Warren County
Representative Cameron Sexton

Dale Reagan, Clay County
Allen Foster, Cumberland County
Josh Miller, DeKalb County
Lloyd Williams, Jackson County
Ben Danner, Overton County
Randy Porter, Putnam County
Mickey Robinson, Van Buren County
Jeff Young, White County
Senator Paul Bailey

POLICY COUNCIL

Officers

Randy Heady, Jackson County
Jeff Mason, Smith County
Sarah Marie Smith, Smith County

Chairman
Vice Chairman
Secretary

Other Members of the Policy Council

Charlene Whitaker, Utilities
Cindy Putman, Education
Katelyn Hicks, Consumer Representative
Don Hollingsworth, Consumer Representative
Linda Pastrick, Consumer Representative
Terri Dunn, Provider Representative
Marie Ferran, Provider Representative
Anne Stamps, Provider Representative
Marvin Lusk, Minority Representative

Keisha Richards, Public Housing
Brent Anderson, Law Enforcement
Barbara Wheeler, Consumer Representative
Ashley Gray, Provider Representative
Marilyn Davis, Consumer Representative
Kristi Paling, Provider Representative
Bill Gibson, Provider Representative
Michael Burton, Provider Representative
Paula Rodriguez, Provider Representative

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	
Available	\$ 806,223
Grants receivable	4,103,072
Other receivables	183,546
Prepays	40,515
Inventories	636,165
Net pension asset	1,872,364
Land and other nondepreciable assets	497,100
Other capital assets, net of accumulated depreciation and amortization	<u>5,306,667</u>
 Total assets	 <u>\$ 13,445,652</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	\$ 1,217,595
Deferred outflows from OPEB plan	<u>172,745</u>
 Total deferred outflows of resources	 <u>\$ 1,390,340</u>
LIABILITIES	
Accounts payable	\$ 403,725
Due to other governments	18,558
Accrued expenses	364,328
Unearned revenue	124
Net post employment healthcare plan obligation	327,156
Long-term liabilities	
Due within one year	387,869
Due in more than one year	<u>1,871,188</u>
 Total liabilities	 <u>\$ 3,372,948</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	\$ 1,346,980
Deferred inflows related to OPEB plan	<u>152,782</u>
 Total deferred inflows of resources	 <u>\$ 1,499,762</u>

(The accompanying notes are an integral part of these statements.)

	<u>Governmental Activities</u>
NET POSITION	
Investment in capital assets	\$ 3,694,597
Restricted for	
Pensions	1,872,364
Transportation programs	3,467,061
CASA programs	23,042
Energy programs	58,408
Community service programs	15,102
Unrestricted	<u>832,708</u>
 Total net position	 <u>\$ 9,963,282</u>

(The accompanying notes are an integral part of these statements.)

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Net Governmental Activities
Governmental activities				
Local programs and administration	\$ 1,132,494	\$ 65,621	\$ 123,199	\$ (943,674)
LIHEAP programs	6,522,931	-	6,349,643	(173,288)
Transportation programs	9,533,935	1,852,331	7,155,583	(526,021)
Nutrition programs	190,427	-	155,020	(35,407)
Residential programs	960,954	770,856	119,724	(70,374)
Other community services programs	4,355,953	43,834	6,205,058	1,892,939
Commodities	971,363	-	985,015	13,652
	<u>23,668,057</u>	<u>2,732,642</u>	<u>21,093,242</u>	<u>157,827</u>
Total governmental activities	<u>23,668,057</u>	<u>2,732,642</u>	<u>21,093,242</u>	<u>157,827</u>
Total primary government	<u>\$ 23,668,057</u>	<u>\$ 2,732,642</u>	<u>\$ 21,093,242</u>	<u>157,827</u>
GENERAL REVENUES				
				1,718,802
				7,106
				<u>728,999</u>
				<u>2,454,907</u>
				2,612,734
NET POSITION				
				<u>7,350,548</u>
				<u>\$ 9,963,282</u>

(The accompanying notes are an integral part of these statements.)

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>Total Governmental Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	
Available	\$ 806,223
Grants receivable	4,103,072
Other receivables	183,546
Prepays	40,515
Inventories	<u>636,165</u>
Total assets	<u>\$ 5,769,521</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts payable	\$ 403,725
Accrued expenditures	364,328
Unearned revenue	124
Due to other governments	<u>18,558</u>
Total liabilities	<u>786,735</u>
Fund balances	
Nonspendable	
Inventory	636,165
Prepaid items	40,515
Restricted for	
Transportation programs	3,467,061
CASA programs	23,042
Energy programs	58,408
Community service programs	15,102
Assigned to	
Flower fund	386
Retiree account	381,179
Unassigned	<u>360,928</u>
Total fund balances	<u>4,982,786</u>
Total liabilities and fund balances	<u>\$ 5,769,521</u>

(The accompanying notes are an integral part of these statements.)

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Differences in amounts reported for governmental activities in the statement of net position on page 1:

Fund balances – total governmental funds	\$ 4,982,786
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,803,767
Net pension assets are not available for current-period expenditures and, therefore, are not reported in the funds.	1,872,364
Deferred outflows, such as deferred outflows from other post-employment healthcare plan obligations and from pensions, are not due in the current period and, therefore, are not reported in the funds.	1,390,340
Deferred inflows, such as deferred inflows from other post-employment benefits and from pensions, are not received in the current period and, therefore, are not reported in the funds.	(1,499,762)
Long-term liabilities, such as compensated absences, that are not due in the current period and, therefore, are not reported in the funds.	(149,887)
Long-term liabilities, such as net post-employment healthcare plan obligation, that are not due in the current period and, therefore, are not reported in the funds.	(327,156)
Long-term liabilities, such as lease purchase obligations and long-term lease obligations, that are not due in the current period and, therefore, are not reported in the funds.	<u>(2,109,170)</u>
	<u>\$ 9,963,282</u>

(The accompanying notes are an integral part of these statements.)

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	<u>Total Governmental Funds</u>
REVENUES	
Grantor contributions	\$ 19,248,454
Fees for service	744,730
Contract revenue	1,670,169
State and local contributions	795,314
Commodities received	985,015
Performance based revenue	64,459
Program income	317,743
Interest	7,106
	<u>23,832,990</u>
EXPENDITURES	
Current	
LIHEAP programs	6,604,422
Transportation programs	9,011,970
Nutrition programs	188,552
Residential programs	955,964
Commodities	971,363
Local programs	572,956
Other community services programs	4,365,709
Capital outlay	2,792,302
Debt service	
Principal	614,746
Interest	112,873
	<u>26,190,857</u>
EXCESS OF REVENUES OVER EXPENDITURES	(2,357,867)
OTHER FINANCING SOURCES (USES)	
Paycheck Protection Program loan forgiven	1,718,802
Proceeds from capital lease obligations	2,462,135
Proceeds from sale of capital assets	732,082
	<u>2,555,152</u>
NET CHANGE IN FUND BALANCE	2,555,152
FUND BALANCE	
Beginning	<u>2,427,634</u>
Ending	<u>\$ 4,982,786</u>

(The accompanying notes are an integral part of these statements.)

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2022**

Differences in amounts reported for governmental activities in the statement of activities on page 3:

Net change in fund balances – total governmental funds \$ 2,555,152

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

Depreciation expense on governmental capital assets are included in the statement of activities. (1,164,961)

Capital outlay reported as expenditures in the governmental funds are reported as capital assets in the statement of activities. 2,792,302

Proceeds for capital assets disposed of provide current financial resources to governmental funds, but only the gain/(loss) on disposal are reported in the statement of activities. (3,083)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (1,847,389)

The statement of net position includes a liability for the net post-employment healthcare plan obligation for participation in the Local Government OPEB Plan. The increase or decrease in the liability does not affect expenditures in the governmental funds. (7,452)

The statement of net position includes an asset for the net pension asset for participation in the Tennessee Consolidated Retirement System plan. The increase or decrease in the asset does not affect expenditures in the governmental funds. 302,071

The statement of net position includes a liability for compensated absences. These are planned to be liquidated with future resources; therefore, the increase or decrease in the liability does not affect expenditures in the governmental funds. (13,906)

\$ 2,612,734

(The accompanying notes are an integral part of these statements.)

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Upper Cumberland Human Resource Agency (Agency) was established in 1973 in accordance with Title 13, Chapter 26, as amended, of Tennessee Code Annotated. This legislation provides a regional system to deliver human resource agency programs in the State's counties and cities. It is governed by a member governing board and a member policy council. The board consists of fourteen county executives and six mayors within the area served by the Agency, one state senator and one state representative whose districts lie wholly or in part within the area served by the Agency. The policy council has twenty one council members and consists of mixture of elected officials, consumer, provider and minority representatives from the fourteen counties served by the Agency. For financial reporting purposes, the Agency includes all fund types and account groups over which the Board of Directors is financially accountable.

The accounting and reporting policies of the Agency relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The GASB periodically updates its codification of the existing standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies for the Agency are described below.

Reporting entity

The Agency, for financial purposes, includes all the funds relevant to the operations of the Upper Cumberland Human Resource Agency (the primary government). The Agency is also required to include in its financial statements those separately administered organizations (component units) with which the Agency has significant operational or financial relationships. The criteria for including organizations as component units within the Agency's reporting entity include whether the organization is legally separate and whether the Agency holds the corporate powers, whether the Agency appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the Agency. Based on the foregoing criteria, the Agency has no component units.

Basis of presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by assessments and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* for administrative overhead are allocated among the function and activities using a full cost allocation approach and are presented separately. Program *revenues* include (1) charges to customers or applicants who purchase use, or directly benefit from goods, services, or privileges provided by the given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basis of accounting

The government-wide financial statements, consist of the statement of net position and the statement of activities, are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred. The government-wide financial statements report information on all of the non-fiduciary activities of the Agency as a whole.

The fund-level financial statements of the governmental funds consist of a general fund, use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they are susceptible to accrual, which is defined as being both measurable, meaning that the amount of the transaction can be determined, and available, meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Those revenues susceptible to accrual are federal and state grants, other state funds, interest income and charges for services. Expenditures are generally recognized when the liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

Since the governmental funds statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following the applicable fund statement which reconciles.

The Agency reports the following major governmental fund:

General fund – The general fund is the primary operating fund of the Agency. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Fund accounting

The accounts of the Agency are organized on the basis of funds, which are considered separate accounting entities. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Amounts reported in the fund financial statements as due to or due from other funds are eliminated upon preparation of the government-wide statement of net position. The various funds are grouped into fund types as follows:

Governmental Funds - The general fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund, or those for which it is considered fiscally responsible to be accounted for in a separate fund.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting (continued)

Proprietary Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises and therefore funded primarily through user charges.

Non-current governmental assets/liabilities - The Agency eliminates the presentation of account groups, but provides for these records to be maintained and incorporated into the governmental activities section of the government-wide financial statements.

Fund equity

Fund equity at the governmental fund level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund balance represents the difference between assets and liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Non-spendable – Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Agency’s Board of Directors through the adoption of a resolution. The Board also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by Board action to be used for specific purposes, but are neither restricted or committed.

Unassigned – Fund balances are reported as unassigned when the residual amount does not meet any of the above criteria. The Agency reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for expenditure, it is the Agency’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Agency’s policy to use fund balances in the following order: committed, assigned, unassigned.

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balances section above. All other net assets are reported as unrestricted.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget and budgetary control

The Agency does not have an annual appropriated budget. The grant documents, service contracts and program projections serve as the financial plans for budgetary purposes.

Estimates

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

Cash equivalents

For purposes of these financial statements, the Agency considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Receivables

Receivables are reported at the outstanding principal amount. The Agency uses the direct write-off method to account for bad debts, which produces no material differences from the allowance method. Individual accounts are written off when they are determined to be uncollectible.

Inventories

The consumption method is used to account for inventories. Under the consumption method, an expenditure is recognized when inventory is consumed. Commodities inventory is valued using Tennessee Department of Agriculture issued price list.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

For the fund financial statements, capital assets of governmental funds are recorded as expenditures at the time of purchase. For governmental funds at the government-wide presentation, the Agency capitalizes long-lived assets with an original cost of \$1,000 or more over their estimated useful lives using the straight-line method. Such assets are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	25-40 years
Leasehold and land improvements	15-24 years
Vehicles	5 years
Equipment	5 years

Long-term debt

In government-wide financial statements, long-term debt or other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

Agency employees are paid for vacation and absences due to sickness by prescribed formulas based on length of service. Vacation and sick leave for employees of governmental funds are recorded as expenditures in the period they are used and considered payable from current financial resources. Vacation leave is based on employment date, and unused vacation leave is converted into sick leave at the end of the fiscal year-end.

The Agency's policies allow an employee who has been employed with the Agency for twenty consecutive years and is 59 ½ to receive a payment of accumulated sick leave up to six months upon retirement. The estimated value of accumulated benefits earned by these employees, which may be used in subsequent years and paid upon retirement, is recorded as long-term debt in the government-wide statements.

Deferred outflows/inflows of resources

GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources – a consumption of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period.

As of June 30, 2022, the Agency had \$1,390,340 of deferred outflows of resources from other post-employment benefits and pensions and had \$1,499,762 of deferred inflows of resources from other post-employment benefits and pensions.

Indirect costs

Indirect costs are allocated to the functions of the Agency based on the ratio of the individual direct program salaries to direct program salaries applied to the administrative costs.

Pensions

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 Upper Cumberland Human Resource Agency's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and addition to/deductions from the Agency's fiduciary net position have been determined on the same basis as they are reported by 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 the TCRS. Investments are reported at fair value.

Change in accounting principle

On July 1, 2021, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This standard enhances the relevance and consistency of information of the Agency's leasing activities. GASB 87 establishes requirements for lease accounting based on the principle that leases are long-term contracts that convey control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange like transaction. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB 87 did not impact beginning net position of the Agency.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(2) CASH AND INVESTMENTS

The Agency does not have a formal policy regarding the types of investment authorized. However, State statutes authorize the Agency to invest operating funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

At June 30, 2022, the Agency's cash and investments consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Checking accounts	0.00	\$ 805,773
Petty cash	0.00	450
	0.00	\$ 806,223

Custodial Credit Risk – The Agency's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by the Agency's agent in the Agency's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the Agency may participate.

(3) CAPITAL ASSETS

Governmental activities

A summary of changes in capital assets and accumulated depreciation for governmental activities is as follows:

	Beginning	Additions	Dispositions and reclassifications	Ending
Non-depreciable capital assets				
Land	\$ 497,100	\$ -	\$ -	\$ 497,100
Total non-depreciable capital assets	\$ 497,100	\$ -	\$ -	\$ 497,100

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(3) CAPITAL ASSETS (continued)
Governmental activities (continued)

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions and reclassifications</u>	<u>Ending</u>
Depreciable capital assets				
Buildings	\$ 755,951	\$ 67,562	\$ -	\$ 823,513
Right-to-use asset - office space	-	2,462,135	-	2,462,135
Equipment	1,963,225	71,516	(55,806)	1,978,935
Vehicles	7,456,948	191,089	(289,399)	7,358,638
	<u>10,176,124</u>	<u>2,792,302</u>	<u>(345,205)</u>	<u>12,623,221</u>
Less accumulated depreciation and amortization				
Buildings	259,483	33,600	-	293,083
Right-to-use asset - office space	-	413,505	-	413,505
Equipment	1,548,428	121,316	(55,474)	1,614,270
Vehicles	4,685,804	596,540	(286,648)	4,995,696
	<u>6,493,715</u>	<u>1,164,961</u>	<u>(342,122)</u>	<u>7,316,554</u>
Depreciable capital assets, net	<u>\$ 3,682,409</u>	<u>\$ 1,627,341</u>	<u>\$ (3,083)</u>	<u>\$ 5,306,667</u>

The office space lease amortization is presented as amortization expense on the statement of activities related to the Agency's intangible asset of office space, which is included in the above table as right-to-use asset – office space. With the implementation of GASB No. 87, Leases, a lease meeting the criteria of GASB No. 87 requires the lessee to recognize a lease liability and an intangible right-to-use asset.

Depreciation and amortization was charged to the functions of the primary government as follows:

Local programs and administration	\$ 454,722
Transportation	633,156
Residential	16,780
Nutrition	4,205
Other community services	<u>56,098</u>
Total governmental activities depreciation and amortization expense	<u>\$ 1,164,961</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(4) LONG-TERM LIABILITIES

Governmental activities

A summary of changes in long-term liabilities for governmental activities is as follows:

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Long-term lease obligations	\$ 21,321	\$ 2,462,135	\$ (374,286)	\$ 2,109,170
Notes payable	240,460	-	(240,460)	-
Compensated absences	<u>135,981</u>	<u>13,906</u>	<u>-</u>	<u>149,887</u>
	<u>\$ 397,762</u>	<u>\$ 2,476,041</u>	<u>\$ (614,746)</u>	<u>\$ 2,259,057</u>

Presentation of long-term debt of governmental activities in the government-wide statement of net position is as follows:

Due within one year	\$ 387,869
Due in more than one year	<u>1,871,188</u>
	<u>\$ 2,259,057</u>

Long-term lease obligations are summarized as follows:

<u>Description</u>	<u>Lease Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Balance June 30, 2022</u>
Chrysler Caravan Purchase Lease	2/20/2019	20 Quarterly	\$ 1,976	6.66%	\$ 144,000	\$ 14,681
Cumberland Co. Office Space Lease	7/1/2021	130 Monthly	\$ 2,000	4.95%	\$ 257,273	243,637
Putnam Co. Office Space	7/1/2021	66 Monthly	\$ 29,994	4.95%	\$1,737,069	1,449,321
Smith Co. Office Space	7/1/2021	84 Monthly	\$ 3,084	4.95%	\$ 219,469	191,775
Pickett Co. Office Space	7/1/2021	84 Monthly	\$ 300	4.95%	\$ 21,349	18,655
Jackson Co. Office Space	7/1/2021	160 Monthly	\$ 400	4.95%	\$ 46,976	44,241
DeKalb Co. Office Space	7/1/2021	60 Monthly	\$ 3,379	4.95%	\$ 179,999	<u>146,860</u>
Total long-term lease obligations						<u>\$ 2,109,170</u>

Chrysler Caravan purchase lease - The Agency entered into a lease purchase obligation with Santander Bank N.A. for the lease/purchase of four Chrysler Caravans. The terms of the lease require quarterly payments of \$1,976 including interest at 6.66% through June 2024 and the Agency will retain ownership of the vehicles at the end of the lease term.

Cumberland Co. office space lease – The Agency entered into an office space lease agreement with Otto Rental Properties. The lease requires monthly payments of \$2,000 through April 2022. The lease allows for 2 additional 5 year terms with 60 monthly payments of \$2,500 through April 2027 and 60 monthly payments of \$2,750 through April 2032. The Agency is reasonably certain that the 2 additional 5 year renewal terms will be exercised. The Agency will not acquire the office space at the end of the lease term.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(4) LONG-TERM LIABILITIES (continued)

Putnam Co. office space lease – The Agency entered into an office space lease agreement with McNabb 2016 Community Property Trust. The lease requires monthly payments of \$29,994 through December 2026. The lease allows for 10 additional 5 year terms. The Agency is reasonably certain that the additional 5 year renewal terms will not be exercised. The Agency will not acquire the office space at the end of the lease term.

Smith Co. office space lease – The Agency entered into an office space lease agreement with Smith County Government. The lease requires monthly payments of \$3,084 through June 2028. The lease allows for an additional 5 year renewal term. The Agency is reasonably certain that the additional 5 year renewal term will be exercised. The Agency will not acquire the office space at the end of the lease term.

Pickett Co. office space lease – The Agency entered into an office space lease agreement with Pickett County Government. The lease requires monthly payments of \$300 through June 2028. The lease allows for an additional 5 year renewal term. The Agency is reasonably certain that the additional 5 year renewal term will be exercised. The Agency will not acquire the office space at the end of the lease term.

Jackson Co. office space lease – The Agency entered into an office space lease agreement with Jackson County Government. The lease requires monthly payments of \$400 through October 2034. The lease allows for additional 5 year renewal terms. The Agency is reasonably certain that the additional 5 year renewal terms will be exercised. The Agency will not acquire the office space at the end of the lease term.

DeKalb Co. office space lease – The Agency entered into an office space lease agreement with DeKalb County Government. The lease requires monthly payments of \$3,379 through June 2026. The Agency will not acquire the office space at the end of the lease term.

At the time of initial measurement, there was no interest rate specified in the various office space rental agreements. The Agency has used the Agency’s effective interest rate on the Agency’s current line of credit. The weighted average borrowing rate for the long-term office space rental agreements was 4.95% which was used to discount the monthly lease payments to recognize the intangible right-to-use asset – office space and the lease liabilities as of June 30, 2022.

The long-term lease obligations debt service requirements to maturity are as follows:

	<u>Gross Payment</u>	<u>Interest</u>	<u>Principal</u>
For the year ending June 30, 2023	\$ 483,793	\$ 95,924	\$ 387,869
2024	483,792	76,154	407,638
2025	475,888	55,576	420,312
2026	475,888	34,292	441,596
2027	255,776	14,728	241,048
2028-2032	224,605	24,456	200,149
2033-2035	11,201	643	10,558
	<u>\$ 2,410,943</u>	<u>\$ 301,773</u>	<u>\$ 2,109,170</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(4) LONG-TERM LIABILITIES (continued)

Interest has been included as a direct expense of the local program and administration activity in the amount of \$110,235.

(5) PENSION PLANS

Tennessee Consolidated Retirement System

Plan description

Employees of the Agency 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 the Tennessee Code of 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 non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% 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 second 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	192
Active employees	155
Total employees	397

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) PENSION PLANS (continued)

Tennessee Consolidated Retirement System (continued)

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% of their salary. The Agency makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for the Agency was \$299,864 based on a rate of 6.43% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Agency's state shared taxes if required employer contributions are not remitted. The employer's Actuarial Determined Contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net pension liability (asset)

The Agency's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2021, 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, 2021, 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.

Changes in 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.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) PENSION PLANS (continued)

Tennessee Consolidated Retirement System (continued)

Changes in assumptions (continued)

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%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

Discount rate

The discount rate used to measure the total pension liability was 6.75%. 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 the Agency will be made at the actuarially determined contribution rate pursuant to an actuarial evaluation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) PENSION PLANS (continued)
Tennessee Consolidated Retirement System (continued)
Changes in net pension liability (asset)

	Increase (Decrease)		
	Total Pension Liability (a.)	Plan Fiduciary Net Position (b.)	Net Pension Liability (Asset) (a.)-(b.)
Balance at June 30, 2020	\$ 7,852,079	\$ 8,959,378	\$ (1,107,299)
Changes for the year			
Service cost	421,227	-	421,227
Interest	589,365	-	589,365
Differences between expected and actual experience	188,970	-	188,970
Changes in assumptions	905,163	-	905,163
Contributions – employer	-	307,217	(307,217)
Contributions – employees	-	234,876	(234,876)
Net investment income	-	2,342,121	(2,342,121)
Benefit payments, including refunds of employee contributions	(288,258)	(288,258)	-
Administrative expense	-	(14,424)	14,424
Net changes	1,816,467	2,581,532	(765,065)
Balance at June 30, 2021	\$ 9,668,546	\$ 11,540,910	\$ (1,872,364)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the Agency 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 1% lower (5.75%) or 1% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ (460,973)	\$ (1,872,364)	\$ (3,026,164)

Pension expense

For the year ended June 30, 2022, the Agency recognized pension expense of \$12,913.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) PENSION PLANS (continued)

Tennessee Consolidated Retirement System (continued)

Deferred outflows of resources and deferred inflows of resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 218,057	\$ 95,517
Net difference between projected and actual earnings on pension plan investments	-	1,251,463
Changes in assumptions	699,674	-
Contributions subsequent to the measurement date Of June 30, 2021	299,864	-
	\$ 1,217,595	\$ 1,346,980

* *The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.*

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

Year ended June 30, 2023	\$ (86,748)
2024	\$ (6,645)
2025	\$ 920
2026	\$ (336,777)

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

Defined contribution plan

In addition to the TCRS plan, the Agency continues to provide pension benefits for full-time (hired on or before December 31, 2007) and permanent part-time employees who work at least 1,000 hours annually through a defined contribution plan administered by the State of Tennessee. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employees are eligible to make contributions immediately; however, employees are not eligible for the employer match until after 12 months of service.

Any amendments to the defined contribution plan have been approved by the Board of Directors of the Agency. According to the Agency's personnel policies approved by the Board of Directors, the Agency contributes 5% of the employee's base salary each month, and the employee contributes at least 5% of the base salary. However, employees that are also participants in the TCRS plan do not receive the agency match. The employee is allowed to contribute up to federally defined limits. All contributions by the employee are fully vested upon participation in the retirement plan.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) PENSION PLANS (continued)

Defined contribution plan (continued)

Employer contributions are vested at a rate of 20% per year. The Agency contributed \$11,371 for the year ended June 30, 2022.

(6) OTHER POST EMPLOYMENT BENEFITS

Plan description

Employees of the Agency 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 post-employment 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

The Agency 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. The Agency does not provide any direct subsidy for pre-65 retired insurance coverage and is only subject to the implicit. 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, 2021, the following employees of the Agency was covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>131</u>
Total employees	<u><u>138</u></u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2022, the Agency paid \$28,180 to the LGOP for OPEB benefits as they came due.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(6) OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial assumptions

The total OPEB liability in the June 30, 2021, 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%.
Investment rate of return	7.36% for pre-65 in 2021, decreasing annually over a 7 year period to an ultimate rate of 4.50%. 7.32% for post-65 in 2021, decreasing annually over a 8 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose 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, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 2.16%. This rate reflects the interest rate derived from yields on a 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 CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(6) OTHER POST EMPLOYMENT BENEFITS (continued)
Changes in the Total OPEB Liability

	Total OPEB Liability (a.)
Balance at June 30, 2020	<u>\$ 220,911</u>
Changes for the year	
Service cost	32,452
Interest	5,540
Differences between expected and actual experience	133,012
Change in assumptions	(59,338)
Benefit payments	<u>(5,421)</u>
Net changes	<u>106,245</u>
Balance at June 30, 2021	<u><u>\$ 327,156</u></u>

Changes in assumptions

The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Total OPEB liability	<u>\$ 346,746</u>	<u>\$ 327,156</u>	<u>\$ 308,765</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(6) OTHER POST EMPLOYMENT BENEFITS (continued)

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate (7.36%/7.32% decreasing to 4.50%) that is 1-percentage-point lower (6.36%/6.32% decreasing to 3.50%) or 1-percentage-point higher (8.36%/8.32% decreasing to 5.50%) than the current healthcare cost trend rate.

	<u>1% Decrease (3.50%)</u>	<u>Current Discount Rate (4.50%)</u>	<u>1% Increase (5.50%)</u>
Total OPEB liability	\$ 301,205	\$ 327,156	\$ 357,347

OPEB expense

For the fiscal year ended June 30, 2022, the Agency recognized OPEB expense of \$35,632.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 124,124	\$ 96,886
Changes in assumptions	20,441	55,896
Contributions subsequent to the measurement date of June 30, 2021	<u>28,180</u>	<u>-</u>
	<u>\$ 172,745</u>	<u>\$ 152,782</u>

* The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," will be recognized as a reduction (increase) to total OPEB liability in the following measurement period.

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

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(6) OTHER POST EMPLOYMENT BENEFITS (continued)

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

Year ended June 30, 2023	\$	(2,360)
2024	\$	(2,360)
2025	\$	(2,360)
2026	\$	(4,318)
2027	\$	(107)
Thereafter	\$	3,288

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

(7) RISK MANAGEMENT

The Agency participates in the Tennessee Municipal League (TML) Risk Management Pool, for the following risks of loss: commercial general liability, bodily injury, property damage, physical damage, and personal injury liability for vehicle operation, employer’s liability and worker’s compensation. Worker’s compensation is based on previous year’s salaries at a predefined rate; however at the end of the policy year (December 31) a worker’s compensation audit is conducted. At that time the Agency could be subject to additional payment or a refund of premiums.

The Agency’s participation in the TML Risk Management Pool is similar to purchasing commercial insurance, in that the agreement provides for payment of premiums and does not provide for additional member assessments. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The Agency carries commercial insurance for employee dishonesty. There were no claims filed against this policy in the past year.

The responsibilities of the Agency include:

- Pay all contributions or other sums due to TML.
- Allow attorneys appointed by TML to represent the Agency and assist and cooperate in the defense and settlement of claims against the Agency.
- Follow all loss reduction and prevention procedures established by TML where possible.
- Furnish to TML such operating and underwriting information as may be requested.
- Report as promptly as possible, all incidents which could result in TML being required to pay a claim for loss or injuries.
- All TML to inspect and appraise any damaged property before its repair or disposition.
- Cooperate with the pool in any dispute resolutions with other insurance companies.

The responsibilities of TML include:

- TML will defend any suit against the Agency or covered party seeking damages even if any of the allegations of the suit are groundless, false or fraudulent.
- TML’s duty to pay on behalf of or to indemnify a covered party other than the Agency does not apply to any act, error or omission that constitutes malfeasance in office, willful and wanton neglect of duty, dishonesty on the part of a covered party, or the willful violation of a statute or ordinance by any official, employee, or agent of the Agency.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(8) COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

(9) LINE OF CREDIT

The Agency renewed a line of credit with One Bank of Tennessee on February 15, 2022, for a term of one year ending on February 15, 2023, to provide working capital for the Agency. The maximum available line of credit balance was \$2,500,000. The line of credit has a fixed interest rate of 4.95%. There was no balance on the line of credit at June 30, 2022.

	Beginning Balance	Adjustments and Additions	Adjustments and Retirements	Ending Balance
Line of credit	\$ 1,250,077	\$ -	\$ (1,250,077)	\$ -

The Agency has pledged as collateral land and buildings located at Indian Mound and Chance residential centers, various vehicles owned by the Agency, accounts and other rights to payment, instruments and chattel paper, general intangibles, documents, government payments and programs, investment property and deposit accounts. In the event of default, including failure to pay upon final maturity, the total sum due under this line of credit will continue to accrue interest at 4.95%.

Interest has been included as a direct expense of the local program and administration activity in the amount of \$2,638.

(10) PAYCHECK PROTECTION PROGRAM LOAN

On January 28, 2021, the Agency received a Paycheck Protection Program loan through One Bank of Tennessee in the amount of \$1,718,802, pursuant to the Paycheck Protection Program of the CARES Act. The Agency is required to use the funds on qualified expenses and as authorized by Section 1106 of the CARES Act to be forgiven. On August 13, 2021, the Agency received notification from the Small Business Administration that \$1,718,802 in principal and \$8,499 in interest had been forgiven. The forgiveness of \$1,718,802 is recognized in general revenues on the statement of activities for the year ended June 30, 2022.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(11) LITIGATION AND CLAIMS

Agency management is not aware of any litigation or claims that would be material to the Agency's financial statements.

(12) SHARED ADMINISTRATION AND COST POOL AGREEMENT

On August 21, 2018, the Agency and Upper Cumberland Development District (District) entered into a shared administration and cost pool agreement. Under this agreement the District and the Agency will share administrative, management and financial operations personnel and create a cost pool for shared operations. The District and the Agency will remain separate organizations in all respects, and shall retain and operate separate and distinct programs which will each remain an exclusive program of the respective entity, serving the citizens of the Upper Cumberland, businesses and industries, and local governments. As of June 30, 2022, the Agency paid the District \$1,621,913 for shared administration and cost pool expenses.

(13) RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2022, the date which these financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
(ASSET) AND RELATED RATIOS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30**

	2014	2015
TOTAL PENSION LIABILITY (ASSET)		
Service cost	\$ 385,303	\$ 403,133
Interest	280,006	335,166
Difference between expected and actual experience	117,205	(159,342)
Change in assumptions	-	-
Benefit payments, including refunds of employee contributions	(33,199)	(96,528)
Net change in total pension liability	749,315	482,429
Beginning	3,364,702	4,114,017
Ending (a)	\$ 4,114,017	\$ 4,596,446
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 315,430	\$ 292,707
Contributions - employee	222,448	223,782
Net investment income	600,086	144,292
Benefit payments, including refunds of employee contributions	(33,199)	(96,528)
Administrative expense	(5,214)	(7,694)
Net change in plan fiduciary net position	1,099,551	556,559
Beginning	3,379,281	4,478,832
Ending (b)	\$ 4,478,832	\$ 5,035,391
NET PENSION LIABILITY (ASSET) (a-b)		
Net pension (asset) liability	\$ (364,815)	\$ (438,945)
Plan fiduciary net position as a percentage of total pension liability	108.87%	109.55%
Covered employee payroll	\$ 4,448,938	\$ 4,475,647
Net pension asset as a percentage of covered-employee payroll	-8.20%	-9.81%

NOTES TO SCHEDULE

Changes in assumptions

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years information are available.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 380,258	\$ 404,868	\$ 417,766	\$ 342,106	\$ 313,537	\$ 421,227
370,974	429,784	470,346	491,720	531,010	589,365
75,435	(110,823)	(339,795)	(22,722)	127,218	188,970
-	124,802	-	-	-	905,163
<u>(60,760)</u>	<u>(73,543)</u>	<u>(135,346)</u>	<u>(220,357)</u>	<u>(260,845)</u>	<u>(288,258)</u>
765,907	775,088	412,971	590,747	710,920	1,816,467
<u>4,596,446</u>	<u>5,362,353</u>	<u>6,137,441</u>	<u>6,550,412</u>	<u>7,141,159</u>	<u>7,852,079</u>
<u>\$ 5,362,353</u>	<u>\$ 6,137,441</u>	<u>\$ 6,550,412</u>	<u>\$ 7,141,159</u>	<u>\$ 7,852,079</u>	<u>\$ 9,668,546</u>
\$ 294,017	\$ 300,121	\$ 266,093	\$ 230,037	\$ 252,056	\$ 307,217
224,785	229,451	203,436	175,870	192,703	234,876
139,527	662,313	571,728	573,891	419,339	2,342,121
(60,760)	(73,543)	(135,346)	(220,357)	(260,845)	(288,258)
<u>(11,288)</u>	<u>(12,913)</u>	<u>(12,817)</u>	<u>(11,095)</u>	<u>(12,416)</u>	<u>(14,424)</u>
586,281	1,105,429	893,094	748,346	590,837	2,581,532
<u>5,035,391</u>	<u>5,621,672</u>	<u>6,727,101</u>	<u>7,620,195</u>	<u>8,368,541</u>	<u>8,959,378</u>
<u>\$ 5,621,672</u>	<u>\$ 6,727,101</u>	<u>\$ 7,620,195</u>	<u>\$ 8,368,541</u>	<u>\$ 8,959,378</u>	<u>\$ 11,540,910</u>
<u>\$ (259,319)</u>	<u>\$ (589,660)</u>	<u>\$ (1,069,783)</u>	<u>\$ (1,227,382)</u>	<u>\$ (1,107,299)</u>	<u>\$ (1,872,364)</u>
104.84%	109.61%	116.33%	117.19%	114.10%	119.37%
\$ 4,495,668	\$ 4,588,994	\$ 4,068,698	\$ 3,517,378	\$ 3,854,043	\$ 4,697,491
-5.77%	-12.85%	-26.29%	-34.89%	-28.73%	-39.86%

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 315,430	\$ 292,707	\$ 294,017	\$ 217,977
Contributions in relation to the actuarially determined contribution	<u>315,430</u>	<u>292,707</u>	<u>294,017</u>	<u>300,120</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,143)</u>
Covered employee payroll	\$ 4,448,938	\$ 4,475,647	\$ 4,495,668	\$ 4,588,994
Contributions as a percentage of covered employee payroll	7.09%	6.54%	6.54%	6.54%

NOTES TO SCHEDULE

Valuation date

Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2020, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed twenty years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customizable table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustment	2.25%

Change in assumptions

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

This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years information are available.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 184,719	\$ 138,585	\$ 115,622	\$ 103,815	\$ 299,864
<u>266,093</u>	<u>230,037</u>	<u>252,056</u>	<u>307,217</u>	<u>299,864</u>
<u>\$ (81,374)</u>	<u>\$ (91,452)</u>	<u>\$ (136,434)</u>	<u>\$ (203,402)</u>	<u>\$ -</u>
\$ 4,068,698	\$ 3,517,378	\$ 3,854,043	\$ 4,697,491	\$ 4,662,811
6.54%	6.54%	6.54%	6.54%	6.43%

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF CHANGES IN TOTAL OPEB
LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR ENDING JUNE 30**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 25,913	\$ 24,357	\$ 23,258	\$ 25,626	\$ 32,452
Interest	8,403	10,436	6,213	7,877	5,540
Changes in benefit terms	-	2,889	-	-	-
Difference between expected and actual experience	-	(148,241)	22,591	(24,745)	133,012
Change in assumptions	(13,707)	4,046	10,564	18,420	(59,338)
Benefit payments	<u>(13,771)</u>	<u>(13,604)</u>	<u>(14,329)</u>	<u>(10,048)</u>	<u>(5,421)</u>
 Net change in total OPEB liability	 6,838	 (120,117)	 48,297	 17,130	 106,245
 Beginning	 <u>268,763</u>	 <u>275,601</u>	 <u>155,484</u>	 <u>203,781</u>	 <u>220,911</u>
 Ending	 <u>\$ 275,601</u>	 <u>\$ 155,484</u>	 <u>\$ 203,781</u>	 <u>\$ 220,911</u>	 <u>\$ 327,156</u>
 Covered employee payroll	 \$ 5,564,732	 \$ 3,475,673	 \$ 3,943,901	 \$ 4,794,887	 \$ 4,662,811
 Total OPEB liability as a percentage of covered payroll	 4.95%	 4.47%	 5.17%	 4.61%	 7.02%

NOTES TO SCHEDULE

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

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

This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

OTHER SUPPLEMENTAL INFORMATION

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF GENERAL LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2022

Year Ending June 30,	Santander Bank N.A Vehicle Purchase Lease		Cumberland County Office Space Lease		Putnam County Office Space Lease		Smith County Office Space Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 7,097	\$ 808	\$ 18,353	\$ 11,647	\$ 294,821	\$ 65,112	\$ 28,149	\$ 8,860
2024	7,584	320	19,282	10,718	309,751	50,183	29,574	7,435
2025	-	-	20,258	9,742	325,436	34,498	31,072	5,937
2026	-	-	21,284	8,716	341,916	18,018	32,645	4,363
2027	-	-	22,763	7,637	177,397	2,570	34,299	2,710
2028	-	-	25,970	6,430	-	-	36,036	974
2029	-	-	27,285	5,115	-	-	-	-
2030	-	-	28,667	3,733	-	-	-	-
2031	-	-	30,118	2,282	-	-	-	-
2032	-	-	29,657	740	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
	<u>\$ 14,681</u>	<u>\$ 1,128</u>	<u>\$ 243,637</u>	<u>\$ 66,760</u>	<u>\$ 1,449,321</u>	<u>\$ 170,381</u>	<u>\$ 191,775</u>	<u>\$ 30,279</u>

<u>Pickett County Office Space Lease</u>		<u>Jackson County Office Space Lease</u>		<u>DeKalb County Office Space Lease</u>		<u>Total Principal</u>	<u>Total Interest</u>
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
\$ 2,738	\$ 862	\$ 2,670	\$ 2,130	\$ 34,041	\$ 6,504	\$ 387,869	\$ 95,923
2,877	723	2,805	1,995	35,765	4,780	407,638	76,154
3,023	578	2,947	1,853	37,576	2,969	420,312	55,577
3,176	424	3,097	1,703	39,478	1,067	441,596	34,291
3,336	264	3,253	1,547	-	-	241,048	14,728
3,505	95	3,418	1,382	-	-	68,929	8,881
-	-	3,591	1,209	-	-	30,876	6,324
-	-	3,773	1,027	-	-	32,440	4,760
-	-	3,964	836	-	-	34,082	3,118
-	-	4,165	635	-	-	33,822	1,375
-	-	4,376	424	-	-	4,376	424
-	-	4,597	203	-	-	4,597	203
-	-	1,585	15	-	-	1,585	15
<u>\$ 18,655</u>	<u>\$ 2,946</u>	<u>\$ 44,241</u>	<u>\$ 14,959</u>	<u>\$ 146,860</u>	<u>\$ 15,320</u>	<u>\$ 2,109,170</u>	<u>\$ 301,773</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF CHANGES IN LONG-TERM DEBT
BY INDIVIDUAL ISSUE
YEAR ENDED JUNE 30, 2022**

<u>Description</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<u>Primary Government</u>			
Governmental Activities			
<u>Note Payable</u>			
One Bank	\$ 410,158	2.50%	December 19, 2017
<u>Lease Purchase Obligation</u>			
Santander Bank, N.A.	144,000	6.66%	February 20, 2019
<u>Long-Term Office Space Lease Obligations</u>			
Cumberland County	257,273	4.95%	July 1, 2021
Putnam County	1,737,069	4.95%	July 1, 2021
Smith County	219,469	4.95%	July 1, 2021
Pickett County	21,349	4.95%	July 1, 2021
Jackson County	46,976	4.95%	July 1, 2021
DeKalb County	<u>179,999</u>	4.95%	July 1, 2021
	<u>\$ 3,016,293</u>		

Final Maturity Date	Outstanding July 1, 2021	Issued During Period	Paid During Period	Outstanding June 30, 2022
December 2025	\$ 240,460	\$ -	\$ 240,460	\$ -
February 2024	21,321	-	6,640	14,681
April 2032	-	257,273	13,636	243,637
December 2026	-	1,737,069	287,748	1,449,321
June 2028	-	219,469	27,694	191,775
June 2028	-	21,349	2,694	18,655
October 2034	-	46,976	2,735	44,241
June 2026	-	179,999	33,139	146,860
	<u>\$ 261,781</u>	<u>\$ 2,462,135</u>	<u>\$ 614,746</u>	<u>\$ 2,109,170</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.
Federal Awards - Cash		
U.S. DEPT. OF AGRICULTURE		
Passed through Tennessee Dept. of Human Services		
Child and Adult Care Food Program	10.558	
COVID-19 - Child and Adult Care Food Program	10.558	
Child and Adult Care Food Program	10.558	
Child and Adult Care Food Program	10.558	
Passed through Tennessee Dept. of Education		
Residential Centers (School Breakfast)	10.553	
Residential Centers (School Lunch)	10.555	
Total Child Nutrition Cluster		
Passed through Tennessee Dept. of Agriculture		
Emergency Food Assistance Program	10.568	
Emergency Food Assistance Program	10.568	
Total Food Distribution Cluster		
Total U.S. Dept. of Agriculture		
U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT		
Passed through Tennessee Dept. of Health		
Emergency Solutions Grant Program	14.231	
Total U.S. Dept. of Housing and Urban Development		
U.S. DEPT. OF CRIMINAL JUSTICE		
Passed through Institute for Intergovernmental Research		
Comprehensive Opioid, Stimulant, & Substance Abuse Prog.	16.838	
Total U.S. Dept. of Criminal Justice		
U.S. DEPT. OF LABOR		
Passed through Tennessee Dept. of Labor/Workforce Dev.		
Senior Community Service Employment Program	17.235	
Senior Community Service Employment Program	17.235	
Total U.S. Dept. of Labor		

<u>Beginning</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other Additions (Deductions)</u>	<u>Ending</u>	<u>Passed through to Subrecipients</u>
\$ 1,329	\$ 31,921	\$ 30,592	\$ -	\$ -	\$ -
-	35,192	35,192	-	-	-
68,649	262,047	193,398	-	-	-
-	447,451	581,889	-	134,438	-
<u>69,978</u>	<u>776,611</u>	<u>841,071</u>	<u>-</u>	<u>134,438</u>	<u>-</u>
1,652	12,429	11,635	-	858	-
2,617	19,720	18,449	-	1,346	-
<u>4,269</u>	<u>32,149</u>	<u>30,084</u>	<u>-</u>	<u>2,204</u>	<u>-</u>
41,534	50,012	8,478	-	-	-
-	42,507	74,140	-	31,633	-
<u>41,534</u>	<u>92,519</u>	<u>82,618</u>	<u>-</u>	<u>31,633</u>	<u>-</u>
<u>115,781</u>	<u>901,279</u>	<u>953,773</u>	<u>-</u>	<u>168,275</u>	<u>-</u>
<u>129,942</u>	<u>591,961</u>	<u>667,603</u>	<u>-</u>	<u>205,584</u>	<u>-</u>
<u>129,942</u>	<u>591,961</u>	<u>667,603</u>	<u>-</u>	<u>205,584</u>	<u>-</u>
<u>96,292</u>	<u>211,191</u>	<u>144,353</u>	<u>-</u>	<u>29,454</u>	<u>-</u>
<u>96,292</u>	<u>211,191</u>	<u>144,353</u>	<u>-</u>	<u>29,454</u>	<u>-</u>
38,697	38,697	-	-	-	-
-	138,823	168,084	-	29,261	-
<u>38,697</u>	<u>177,520</u>	<u>168,084</u>	<u>-</u>	<u>29,261</u>	<u>-</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.
Federal Awards - Cash		
U.S. DEPT. OF TRANSPORTATION		
Passed through Tennessee Dept. of Transportation		
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	
Formula Grants for Rural Areas and Tribal Transit Programs	20.509	
Formula Grants for Rural Areas and Tribal Transit Programs	20.509	
Formula Grants for Rural Areas and Tribal Transit Programs	20.509	
Formula Grants for Rural Areas and Tribal Transit Programs	20.509	
Total Formula Grants for Rural Areas and Tribal Transit Programs		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	
Grants for Buses & Bus Facilities Program	20.526	
Total Transit Services Programs Cluster		
Total U.S. Dept. of Transportation		
U.S. DEPT. OF ENERGY		
Passed through Tennessee Dept. of Human Services		
Weatherization Assistance for Low-Income Persons	81.042	
Weatherization Assistance for Low-Income Persons	81.042	
Total U.S. Dept. of Energy		
U.S. DEPT. OF HEALTH AND HUMAN SERVICES		
COVID-19 - Head Start	93.600	
Head Start	93.600	
Head Start	93.600	
Head Start	93.600	
Head Start	93.600	
Head Start	93.600	
Total head start cluster		

<u>Beginning</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other Additions (Deductions)</u>	<u>Ending</u>	<u>Passed through to Subrecipients</u>
\$ 481,292	\$ 930,608	\$ 1,983,341	\$ -	\$ 1,534,025	\$ -
80,884	85,305	4,421	-	-	-
485,677	2,413,102	1,927,425	-	-	-
-	669,642	849,361	-	179,719	-
-	7,858	25,128	-	17,270	-
<u>1,047,853</u>	<u>4,106,515</u>	<u>4,789,676</u>	<u>-</u>	<u>1,731,014</u>	<u>-</u>
45,196	273,710	301,277	-	72,763	-
482,706	482,706	-	-	-	-
-	62,090	62,090	-	-	-
<u>527,902</u>	<u>818,506</u>	<u>363,367</u>	<u>-</u>	<u>72,763</u>	<u>-</u>
<u>1,575,755</u>	<u>4,925,021</u>	<u>5,153,043</u>	<u>-</u>	<u>1,803,777</u>	<u>-</u>
129,559	122,622	-	-	6,937	-
-	129,042	166,901	-	37,859	-
<u>129,559</u>	<u>251,664</u>	<u>166,901</u>	<u>-</u>	<u>44,796</u>	<u>-</u>
6,998	6,998	-	-	-	-
-	598,069	676,797	-	78,728	-
83,870	83,870	-	-	-	-
-	29,884	39,900	-	10,016	-
-	9,559	10,481	-	922	-
<u>41,844</u>	<u>41,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>132,712</u>	<u>770,224</u>	<u>727,178</u>	<u>-</u>	<u>89,666</u>	<u>-</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.
Federal Awards - Cash		
Passed through Upper Cumberland Development District		
Special Programs for the Aging Title III, Part B -		
Grants for Supportive Services and Senior Centers	93.044	
Grants for Supportive Services and Senior Centers	93.044	
Grants for Supportive Services and Senior Centers	93.044	
Special Programs for the Aging Title III, Part C -		
Nutrition Services - Congregate Meals	93.045	
Total aging cluster		
Passed through Oasis Center		
Affordable Care Act Personal Responsibility Education Prog.	93.092	
Affordable Care Act Personal Responsibility Education Prog.	93.092	
Total Oasis Center		
Passed through Tennessee Dept. of Human Services		
COVID-19 - Low-Income Home Energy Assistance	93.568	
Low-Income Home Energy Assistance	93.568	
Low-Income Home Energy Assistance	93.568	
Low-Income Home Energy Assistance	93.568	
Low-Income Home Energy Assistance	93.568	
Low-Income Home Energy Assistance	93.568	
Low-Income Home Energy Assistance	93.568	
Low-Income Home Energy Assistance	93.568	
Total Low-Income Home Energy Assistance		
Temporary Assistance for Needy Families	93.558	
Temporary Assistance for Needy Families	93.558	
Total Temporary Assistance for Needy Families		
COVID-19 - Community Services Block Grant	93.569	
Community Services Block Grant	93.569	
Community Services Block Grant	93.569	
Total Community Services Block Grant		

<u>Beginning</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other Additions (Deductions)</u>	<u>Ending</u>	<u>Passed through to Subrecipients</u>
\$ -	\$ 4,720	\$ 31,849	\$ -	\$ 27,129	\$ -
7,139	7,139	-	-	-	-
-	49,813	58,212	-	8,399	-
-	9,269	15,627	-	6,358	-
<u>7,139</u>	<u>70,941</u>	<u>105,688</u>	<u>-</u>	<u>41,886</u>	<u>-</u>
1,844	1,844	-	-	-	-
-	945	7,339	-	6,394	-
<u>1,844</u>	<u>2,789</u>	<u>7,339</u>	<u>-</u>	<u>6,394</u>	<u>-</u>
-	165,727	210,269	-	44,542	-
-	-	57,774	-	57,774	-
155,595	289,848	202,196	-	67,943	-
-	-	20,796	-	20,796	-
(6,798)	-	6,798	-	-	-
-	352,403	355,812	-	3,409	-
697,475	2,410,584	1,713,109	-	-	-
-	3,243,377	4,070,453	-	827,076	-
<u>846,272</u>	<u>6,461,939</u>	<u>6,637,207</u>	<u>-</u>	<u>1,021,540</u>	<u>-</u>
22,033	61,548	71,919	-	32,404	-
-	394,380	394,380	-	-	-
<u>22,033</u>	<u>455,928</u>	<u>466,299</u>	<u>-</u>	<u>32,404</u>	<u>-</u>
112,207	529,296	529,210	-	112,121	-
-	548,493	785,769	-	237,276	-
<u>226,308</u>	<u>483,551</u>	<u>257,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>338,515</u>	<u>1,561,340</u>	<u>1,572,222</u>	<u>-</u>	<u>349,397</u>	<u>-</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.
Federal Awards - Cash		
Social Services Block Grant	93.667	
Social Services Block Grant	93.667	
COVID-19 - Social Services Block Grant	93.667	
Total Social Services Grant		
Total U.S. Dept. of Health and Human Services		
U.S. DEPT. OF HOMELAND SECURITY		
Passed through United Way		
COVID-19 - Emergency Food and Shelter National Board Program	97.024	
Emergency Food and Shelter National Board Program	97.024	
Emergency Food and Shelter National Board Program	97.024	
Total Emergency Food and Shelter National Board Program		
Total U.S. Dept. of Homeland Security		
Total Expenditures of Federal Awards - Cash		
Federal Awards - Noncash		
U.S. DEPT. OF AGRICULTURE		
Passed through Tennessee Dept. of Agriculture		
Emergency Food Assistance Program (Food Commodities)	10.569	
Total Food Distribution Cluster - Noncash		
Total Expenditures of Federal Awards - Noncash		
Total Expenditures of Federal Awards - Cash and Noncash		

<u>Beginning</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other Additions (Deductions)</u>	<u>Ending</u>	<u>Passed through to Subrecipients</u>
7,880	85,548	77,668	-	-	-
-	142,608	197,218	-	54,610	-
-	2,927	22,837	-	19,910	-
<u>7,880</u>	<u>231,083</u>	<u>297,723</u>	<u>-</u>	<u>74,520</u>	<u>-</u>
<u>1,356,395</u>	<u>9,554,244</u>	<u>9,813,656</u>	<u>-</u>	<u>1,615,807</u>	<u>-</u>
-	11,870	11,870	-	-	-
-	4,145	4,145	-	-	-
-	2,675	2,675	-	-	-
<u>-</u>	<u>18,690</u>	<u>18,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>18,690</u>	<u>18,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,442,421</u>	<u>16,631,570</u>	<u>17,086,103</u>	<u>-</u>	<u>3,896,954</u>	<u>-</u>
(617,150)	900,966	967,278	82,596	(617,150)	-
<u>(617,150)</u>	<u>900,966</u>	<u>967,278</u>	<u>82,596</u>	<u>(617,150)</u>	<u>-</u>
<u>(617,150)</u>	<u>900,966</u>	<u>967,278</u>	<u>82,596</u>	<u>(617,150)</u>	<u>-</u>
<u>2,825,271</u>	<u>17,532,536</u>	<u>18,053,381</u>	<u>82,596</u>	<u>3,279,804</u>	<u>-</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.
State Awards - Cash		
TENNESSEE DEPT. OF PROBATION AND PAROLE		
Community Corrections	N/A	
Community Corrections	N/A	
TENNESSEE DEPT. OF CHILDREN'S SERVICES		
Community Intervention - Juvenile Services	N/A	
Community Intervention - Juvenile Services	N/A	
Court Appointed Special Advocates	N/A	
Court Appointed Special Advocates	N/A	
Special Education	N/A	
Special Education	N/A	
TENNESSEE DEPT. OF TRANSPORTATION		
Grants for Buses & Bus Facilities Program	N/A	
Capital Assistance, ADA - TDOT	N/A	
Job Access	N/A	
Improve Act Capital Assistance - Bus Shelters	N/A	
Improve Act Capital Assistance - Micro Transit Project	N/A	
Mobility Management	N/A	
Public Transportation for Non Urbanized Areas - CARTS	N/A	
Public Transportation for Non Urbanized Areas - CARTS	N/A	
Public Transportation for Non Urbanized Areas - CARTS	N/A	
TENNESSEE DEPT. OF MENTAL HEALTH & SUBSTANCE ABUSE SERVICES		
Mental Health Substance Abuse	N/A	

<u>Beginning</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other Additions (Deductions)</u>	<u>Ending</u>	<u>Passed through to Subrecipients</u>
\$ -	\$ 433,796	\$ 501,039	\$ -	\$ 67,243	\$ -
66,274	66,274	-	-	-	-
66,274	500,070	501,039	-	67,243	-
-	117,668	178,954	-	61,286	-
39,545	39,545	-	-	-	-
7,894	7,894	-	-	-	-
-	72,120	86,785	-	14,665	-
-	2,697	2,697	-	-	-
-	3,614	3,614	-	-	-
47,439	243,538	272,050	-	75,951	-
-	23,881	23,881	-	-	-
-	95,565	95,565	-	-	-
57,982	57,982	-	-	-	-
93,593	143,985	77,101	-	26,709	-
143,286	143,286	-	-	-	-
5,649	34,210	37,655	-	9,094	-
214,376	214,376	-	-	-	-
-	291,988	314,451	-	22,463	-
195,115	1,084,122	889,007	-	-	-
710,001	2,089,395	1,437,660	-	58,266	-
-	970	2,564	-	1,594	-

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.
State Awards - Cash		
UPPER CUMBERLAND DEVELOPMENT DISTRICT		
Senior Centers	N/A	
Senior Centers	N/A	
Options for Community Living	N/A	
 Total Expenditures of State Awards - Cash		
 Total Expenditures of Federal and State Awards		

<u>Beginning</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other Additions (Deductions)</u>	<u>Ending</u>	<u>Passed through to Subrecipients</u>
\$ -	\$ 10,435	\$ 13,500	\$ -	\$ 3,065	\$ -
591	591	-	-	-	-
<u>26,241</u>	<u>26,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>26,832</u>	<u>37,267</u>	<u>13,500</u>	<u>-</u>	<u>3,065</u>	<u>-</u>
<u>850,546</u>	<u>2,871,240</u>	<u>2,226,813</u>	<u>-</u>	<u>206,119</u>	<u>-</u>
<u>\$ 3,675,817</u>	<u>\$ 20,403,776</u>	<u>\$ 20,280,194</u>	<u>\$ 82,596</u>	<u>\$ 3,485,923</u>	<u>\$ -</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
JUNE 30, 2022**

(1) BASIS OF PRESENTATION

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) NONCASH ASSISTANCE

The accompanying schedule of noncash assistance includes the grant activity of the Upper Cumberland Human Resource Agency (Agency) under commodity programs of the federal government for the year ended June 30, 2022. 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* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Agency.

The balance at June 30, 2021, represents the beginning inventory of commodities held by the Agency at the end of the prior period.

Receipts represent commodities received from the grantor Agency during the current period.

Federal expenditures represent commodities distributed by the Agency during the current period.

The balance at June 30, 2022, represents the ending inventory of commodities held by the Agency at the end of the current period.



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

**To the Board of Directors of
Upper Cumberland Human Resource Agency**

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 each major fund of the Upper Cumberland Human Resource Agency as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Johnson, Wickey & Meuchem, P.C.

Chattanooga, Tennessee
December 21, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors of
Upper Cumberland Human Resource Agency**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Upper Cumberland Human Resource Agency's compliance with the types of compliance as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2022. The Agency's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, Upper Cumberland Human Resource Agency 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, 2022.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency 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 the Agency'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 the Agency's federal programs.

Auditors' 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 the Agency'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 the Agency'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 the Agency'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 the Agency'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 the Agency'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 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 Auditors' 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 were not 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Johnson, Niskey & Meucham, P.C.

Chattanooga, Tennessee
December 21, 2022

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Upper Cumberland Human Resource Agency were prepared in accordance with GAAP.
2. No significant deficiencies were reported and no material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Upper Cumberland Human Resource Agency were disclosed by the audit.
4. No significant deficiencies were reported and no material weaknesses were identified during the audit of the major federal award program.
5. The auditors' report on the major federal awards program for Upper Cumberland Human Resource Agency expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as major programs were:
 - Child and Adult Care Food Program – Federal Assistance Listing No. 10.558
 - Low-Income Home Energy Assistance – Federal Assistance Listing No. 93.568
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Upper Cumberland Development District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

