

**UPPER CUMBERLAND HUMAN RESOURCE
AGENCY**

Cookeville, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2025

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

TABLE OF CONTENTS

Page

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	ii-iv
-------------------------------------	-------

MANAGEMENT'S DISCUSSION AND ANALYSIS	v-viii
---	--------

ROSTER OF MANAGEMENT AND BOARD MEMBERS	ix
---	----

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

Statement of net position	1-2
Statement of activities	3

FUND FINANCIAL STATEMENTS

Governmental Funds

Balance sheet	4
Reconciliation of the balance sheet of governmental funds to the statement of net position	5
Statement of revenues, expenditures and changes in fund balances	6
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	7

NOTES TO BASIC FINANCIAL STATEMENTS	8-29
--	------

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS	31-32
Schedule of contributions based on participation in the public employee pension plan of TCRS	33-34
Schedule of changes in total OPEB liability and related ratios	35

SUPPLEMENTAL INFORMATION

Schedule of administrative costs	37
Schedule of lease requirements	38-39
Schedule of changes in lease obligations	40
Schedule of expenditures of federal awards and state financial assistance	41-47
Notes to schedule of expenditures of federal awards and state financial assistance	48

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	49-50
Independent auditors' report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	51-53
Schedule of findings and questioned costs	54
Schedule of prior year findings and questioned costs	55

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of the
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, 2025, 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, 2025, 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 31 through 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying schedule of administrative expenses, schedule of lease requirements, schedule of changes in lease obligations, and schedule of expenditures of federal awards and state financial assistance, 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 lease requirements, schedule of changes in lease obligations, and schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025, 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, Wickey & Menckem, P.C.

Chattanooga, Tennessee
December 11, 2025

**Upper Cumberland Human Resource Agency
Management's Discussion and Analysis
Year Ended June 30, 2025**

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, 2025. 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 decreased \$771,932 during the fiscal year from a beginning balance of \$12,868,556 to \$12,096,624 at fiscal yearend.

	Total Primary Government	
	2025	2024
Current and other assets	\$ 8,017,362	\$ 7,281,937
Capital assets	<u>6,459,883</u>	<u>7,414,290</u>
Total assets	<u>14,477,245</u>	<u>14,696,227</u>
Deferred outflows of resources	<u>1,387,458</u>	<u>1,767,087</u>
Current liabilities	1,503,474	1,750,686
Long-term liabilities	<u>1,999,850</u>	<u>1,677,394</u>
Total liabilities	<u>3,503,324</u>	<u>3,428,080</u>
Deferred inflows of resources	<u>264,755</u>	<u>163,105</u>
Net position		
Net investment in capital assets	5,454,956	5,949,666
Restricted	4,812,820	4,179,703
Unrestricted	<u>1,828,848</u>	<u>2,739,187</u>
Total net position	<u>\$12,096,624</u>	<u>\$12,868,556</u>

Investment in capital assets represents net assets used to acquire those assets and 45.09% of total net position. Unrestricted net position comprises 15.77% of total net position.

	Total Primary Government	
	2025	2024
Program Revenues		
Charges for services	\$ 3,061,070	\$ 3,224,211
Operating grants and contributions	25,949,732	28,086,499
Capital grants and contributions	1,003,917	2,579,475
General revenues		
Interest	7,299	9,640
Other general revenues(expenses)	<u>71,550</u>	<u>36,136</u>
Total revenues	30,093,568	33,935,961
Program expenses		
General government	<u>30,865,500</u>	<u>32,318,921</u>
Increase (decrease) in net position	<u>\$ (771,932)</u>	<u>\$ 1,617,040</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 \$5,993,028. Of this year-end total, \$1,236,168 is unassigned, indicating availability for continuing Agency requirements. The remaining fund balance is comprised of \$3,963,089 restricted for transportation programs, \$3,941 restricted for energy programs, \$14,063 restricted for community service programs, \$309,229 assigned to the retiree account, \$1 assigned to the flower fund, and \$466,537 is nonspendable. Revenue exceeded expenditures by \$555,344.

CAPITAL ASSETS

Capital Assets

The Agency’s capital assets totaled \$17,571,523, with accumulated depreciation and amortization of \$11,111,640 for a net book value of \$6,459,883 at June 30, 2025. There were capital outlays of \$1,051,146 during the period ending June 30, 2025. Depreciation and amortization in the current period was \$2,005,553

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

UCHRA was awarded a new contract from Tennessee Department of Human Services through the new TANF Opportunity Act Pilot in the amount of \$25 million dollars over a three-year period starting November 1, 2022. This model is designed to reach over 1,200 families moving, 800 families and 1,600 children out of poverty. Part of this grant is being used to provide supportive services to families as they reach the benefit cliff through job growth. UCHRA has partnered with Highlands Economic, Upper Cumberland Workforce Board, CRMC Foundation, UC Broadcast Council, and Upper Cumberland Development District to reduce barriers for families. This contract has been extended for an additional year to meet program goals. Additional funds were not added, based on current spending projections there will be sufficient funds for this fourth budget year. Based on current expenses for this third year, projections are still on target to have funds to maintain the current level of service to clients for this additional year. The agency is continuing to look at long term sustainability for this program.

UCHRA was awarded a contract through the Tennessee Opioid Abatement Council in the amount of \$5,161,469 starting July 1, 2024 through June 30, 2027. The goal of this grant is to setup a regional support system for those affected by substance abuse, those particularly impacted by the opioid crisis. This grant will have a significant impact on the budget for the next three fiscal years.

Following the end of the fiscal year, UCHRA was notified that the Tennessee Department of Agriculture will no longer contract with Human Resource Agencies or community action agencies for the distribution of commodities. The state will transition to contracting solely with food banks. This change will require UCHRA to adjust its budget and operational focus away from commodity distribution services moving forward.

The Agency contracts primarily with agencies 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 AGENCY'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, 2025**

MANAGEMENT

Mark Farley
Ginger Stout

Executive Director
Finance Director

BOARD OF DIRECTORS

Officers

Jeff Mason, Smith County
Allen Foster, Cumberland County
Sam Gibson, Pickett County
Denny Wayne Robinson, White County

Chairman
Vice Chairman
Secretary
Treasurer

Other Members of the Board

Greg Mitchell, Cannon County
Allen Foster, Cumberland County
Jimmy Johnson, Fentress County
Steve Jones, Macon County
Steven Barlow, Overton County
Laurin Wheaton, Putnam County
John Potts, Smith County
Alisa Farmer, Van Buren County
Jerry Lowery, White County
Alejandra Cisneros Conohan, Minority Representative

Dale Reagan, Clay County
Matt Adcock, DeKalb County
Jim Morgan, Jackson County
Stephen Bilbrey, Pickett County
Lori Burnett, Overton County
Randy Porter, Putnam County
David Sullivan, Van Buren County
Terry Bell, Warren County
Representative Cameron Sexton
Senator Paul Bailey

POLICY COUNCIL

Officers

Jeff Mason, Smith County
Allen Foster, Cumberland County
Sam Gibson, Pickett County

Chairman
Vice Chairman
Secretary

Other Members of the Policy Council

Charlene Whitaker, Utilities
Cindy Putman, Education
Misty Phy, Consumer Representative
Patti Ognibene, Consumer Representative
Linda Pastrick, Consumer Representative
Phil Fox, Provider Representative
Marie Ferran, Provider Representative
Anne Stamps, Provider Representative
Alejandra Cisneros Conohan, Minority Representative

Keisha Richards, Public Housing
Zack Gilpin, Law Enforcement
Barbara Wheeler, Consumer Representative
Bob DePriest, Consumer Representative
Marilyn Davis, Consumer Representative
Kristi Paling, Provider Representative
Bill Gibson, Provider Representative
Michael Burton, Provider Representative

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	
Available	\$ 1,540,553
Grants receivable	4,964,748
Other receivables	213,797
Prepays	106,604
Inventories	359,933
Net pension asset	831,727
Land and other nondepreciable assets	497,100
Other capital assets, net of accumulated depreciation and amortization	<u>5,962,783</u>
 Total assets	 <u><u>\$ 14,477,245</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	\$ 1,250,294
Deferred outflows from OPEB plan	<u>137,164</u>
 Total deferred outflows of resources	 <u><u>\$ 1,387,458</u></u>
LIABILITIES	
Accounts payable	\$ 578,099
Due to other governments	10
Accrued expenses	597,805
Unearned revenue	16,693
Net post employment healthcare plan obligation	310,867
Long-term liabilities	
Due within one year	478,032
Due in more than one year	<u>1,521,818</u>
 Total liabilities	 <u><u>\$ 3,503,324</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	\$ 149,313
Deferred inflows related to OPEB plan	<u>115,442</u>
 Total deferred inflows of resources	 <u><u>\$ 264,755</u></u>

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

	<u>Governmental Activities</u>
NET POSITION	
Net investment in capital assets	\$ 5,454,956
Restricted for	
Pensions	831,727
Transportation programs	3,963,089
Energy programs	3,941
Community service programs	14,063
Unrestricted	<u>1,828,848</u>
 Total net position	 <u><u>\$ 12,096,624</u></u>

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

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

					Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Local programs and administration	\$ 2,157,011	\$ 170,430	\$ 1,542,277	\$ -	\$ (444,304)
Empower	6,036,814	-	6,026,463	-	(10,351)
LIHEAP programs	4,223,328	-	4,222,046	-	(1,282)
Transportation programs	11,171,484	1,914,279	8,058,376	1,003,917	(194,912)
Nutrition programs	40,687	-	51,397	-	10,710
Residential programs	752,594	608,945	127,882	-	(15,767)
Other community services programs	5,622,652	367,416	5,148,326	-	(106,910)
Commodities	<u>860,930</u>	<u>-</u>	<u>772,965</u>	<u>-</u>	<u>(87,965)</u>
Total governmental activities	<u>30,865,500</u>	<u>3,061,070</u>	<u>25,949,732</u>	<u>1,003,917</u>	<u>(850,781)</u>
Total primary government	<u>\$ 30,865,500</u>	<u>\$ 3,061,070</u>	<u>\$ 25,949,732</u>	<u>\$ 1,003,917</u>	<u>\$ (850,781)</u>
GENERAL REVENUES					
Interest					7,299
Gain on disposal of capital assets					<u>71,550</u>
Total general revenues					<u>78,849</u>
Change in net position					(771,932)
NET POSITION					
Beginning					<u>12,868,556</u>
Ending					<u>\$ 12,096,624</u>

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

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	<u>Total Governmental Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	
Available	\$ 1,540,553
Grants receivable	4,964,748
Other receivables	213,797
Prepays	106,604
Inventories	<u>359,933</u>
Total assets	<u>\$ 7,185,635</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts payable	\$ 578,099
Accrued expenditures	597,805
Unearned revenue	16,693
Due to other governments	<u>10</u>
Total liabilities	<u>1,192,607</u>
Fund balances	
Nonspendable	
Inventory	359,933
Prepaid items	106,604
Restricted for	
Transportation programs	3,963,089
Energy programs	3,941
Community service programs	14,063
Assigned to	
Flower fund	1
Retiree account	309,229
Unassigned	<u>1,236,168</u>
Total fund balances	<u>5,993,028</u>
Total liabilities and fund balances	<u>\$ 7,185,635</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, 2025

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

Fund balances – total governmental funds	\$ 5,993,028
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.	6,459,883
Net pension assets are not available for current-period expenditures and, therefore, are not reported in the funds.	831,727
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.	1,387,458
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.	(264,755)
Long-term liabilities, such as compensated absences, that are not due in the current period and, therefore, are not reported in the funds.	(994,923)
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.	(310,867)
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>(1,004,927)</u>
	<u>\$ 12,096,624</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, 2025

	Total Governmental Funds
REVENUES	
Grantor contributions	\$ 25,454,145
Fees for service	642,612
Contract revenue	1,914,279
State and local contributions	726,539
Commodities received	772,965
Performance based revenue	30,294
Program income	303,455
Rental income	170,430
Interest	7,299
	<hr/>
	30,022,018
EXPENDITURES	
Salaries and wages	9,963,166
Payroll taxes and fringe benefits	2,756,883
Professional fees	2,967,946
Supplies	511,703
Telephone and communications	173,337
Occupancy	416,998
Printing and publications	43,101
Equipment rental and leasing	49,027
Insurance	510,097
Travel	1,425,000
Assistance to individuals	5,554,735
Contract services	1,537,458
Miscellaneous	67,080
Cost allocations	1,986,630
Capital outlay	1,051,146
Debt service	
Principal	1,781,660
Interest	64,220
	<hr/>
	30,860,187
EXCESS OF EXPENDITURES OVER REVENUES	(838,169)
OTHER FINANCING SOURCES (USES)	
Proceeds from debt issuance	1,321,963
Proceeds from disposal of capital assets	71,550
	<hr/>
NET CHANGE IN FUND BALANCE	555,344
FUND BALANCE	
Beginning	5,437,684
	<hr/>
Ending	\$ 5,993,028

(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, 2025**

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

Net change in fund balances – total governmental funds	\$ 555,344
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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.	(2,005,553)
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Capital outlay reported as expenditures in the governmental funds are reported as capital assets in the statement of activities.	1,051,146
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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.	459,697
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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.	6,036
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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.	(56,449)
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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.	<u>(782,153)</u>
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\$ (771,932)

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

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(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, 2025

(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 it 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, 2025

(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, 2025

(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, 2025

(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, 2025, the Agency had \$1,387,458 of deferred outflows of resources from other post-employment benefits and pensions had \$264,755 of deferred inflows of resources from other post-employment benefits.

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 the 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.

Leasing activities

The Agency has implemented GASB Statement No. 87, *Leases*. 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.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subscription-based information technology arrangements

The Agency accounts for subscription-based information technology arrangements (SBITAs) in accordance with GASB Statement No. 96, *Subscription-based Information Technology Arrangements* (SBITA). This standard provide guidance on the accounting and financial reporting for SBITAs for government end-users. GASB 96 established requirements for SBITA accounting based on the principle that SBITAs are a contract that conveys control of the right to use another party's information technology, alone or in a combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. A government is required to recognize the right of use subscription asset and a corresponding subscription liability.

As of June 30, 2025, all of the Agency's SBITAs are short-term (12 months or less) and cancellable by either party without significant penalty; therefore, no right-of-use subscription assets or related subscription liabilities are reported in the accompanying financial statements.

Change in accounting principle

On July 1, 2024, the Agency implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. GASB 101 requires liabilities to be recognized for (1) leave that has been used but not yet paid or settled and (2) unused leave when it is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled. The implementation of GASB 101 did not have an effect on the Agency's beginning net position.

(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 funds. 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, 2025, the Agency's cash and investments consist of the following:

Checking accounts	\$ 1,540,553
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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.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(3) CAPITAL ASSETS

Governmental activities

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

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions and reclassifications</u>	<u>Ending</u>
Non-depreciable capital assets				
Land	\$ 497,100	\$ -	\$ -	\$ 497,100
Total non-depreciable capital assets	<u>\$ 497,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 497,100</u>
Depreciable capital assets				
Buildings	\$ 952,573	\$ -	\$ -	\$ 952,573
Right-to-use asset - office space	2,652,146	-	-	2,652,146
Equipment	2,307,237	-	(50,194)	2,257,043
Software	349,463	193,011	-	542,474
Vehicles	<u>9,812,052</u>	<u>858,135</u>	<u>-</u>	<u>10,670,187</u>
	<u>16,073,471</u>	<u>1,051,146</u>	<u>(50,194)</u>	<u>17,074,423</u>
Less accumulated depreciation and amortization				
Buildings	377,762	49,869	-	427,631
Right-to-use asset - office space	1,294,602	447,804	-	1,742,406
Equipment	1,919,745	156,504	(50,194)	2,026,055
Software	106,780	137,933	-	244,713
Vehicles	<u>5,457,392</u>	<u>1,213,443</u>	<u>-</u>	<u>6,670,835</u>
	<u>9,156,281</u>	<u>2,005,553</u>	<u>(50,194)</u>	<u>11,111,640</u>
Depreciable capital assets, net	<u>\$ 6,917,190</u>	<u>\$ (954,407)</u>	<u>\$ -</u>	<u>\$ 5,962,783</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(3) CAPITAL ASSETS (continued)

Governmental activities (continued)

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	\$ 529,930
Transportation	1,406,350
Residential	17,354
Temporary Assistance for Needy Families	11,465
Other community services	<u>40,454</u>
 Total governmental activities depreciation and amortization expense	 <u><u>\$ 2,005,553</u></u>

(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	\$ 1,464,624	\$ -	\$ (459,697)	\$ 1,004,927
Compensated absences	<u>212,770</u>	<u>782,153</u>	<u>-</u>	<u>994,923</u>
	<u><u>\$ 1,677,394</u></u>	<u><u>\$ 782,153</u></u>	<u><u>\$ (459,697)</u></u>	<u><u>\$ 1,999,850</u></u>

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

Due within one year	\$ 478,032
Due in more than one year	<u>1,521,818</u>
	<u><u>\$ 1,999,850</u></u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(4) LONG-TERM LIABILITIES (continued)

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, 2025</u>
Nissan Altima Purchase Lease	9/2/2022	12 Quarterly	\$ 1,829	0.50%	\$ 20,246	\$ 1,810
Cumberland Co. Office Space	7/1/2021	120 Monthly	\$ 2,500	4.95%	\$ 257,273	185,744
Putnam Co. Office Space	7/1/2021	66 Monthly	\$ 29,994	4.95%	\$1,737,069	519,313
Smith Co. Office Space	7/1/2021	84 Monthly	\$ 3,084	4.95%	\$ 219,469	102,980
Warren Co. Office Space	10/1/2022	72 Monthly	\$ 2,500	6.95%	\$ 145,193	87,048
Clay Co. Office Space	12/1/2022	60 Monthly	\$ 1,200	4.95%	\$ 63,667	32,736
Jackson Co. Office Space	7/1/2021	160 Monthly	\$ 400	4.95%	\$ 46,976	35,819
DeKalb Co. Office Space	7/1/2021	60 Monthly	\$ 3,379	4.95%	\$ 179,999	39,477
Total long-term lease obligations						<u>\$ 1,004,927</u>

Nissan Altima purchase lease - The Agency entered into a lease purchase obligation with Bancorp Bank for the lease/purchase of a Nissan Altima. The terms of the lease require quarterly payments of \$1,829 including interest at 0.50% through August 2025 and the Agency will retain ownership of the vehicle 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.

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.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(4) LONG-TERM LIABILITIES (continued)

Warren Co. office space lease – The Agency entered into an office space lease agreement with Harry and Roxie St. John. The lease requires monthly payments of \$2,500 through September 2028. The lease allows for an additional 3 year renewal term. The Agency is reasonably certain that the additional 3 year renewal term will be exercised. The Agency will not acquire the office space at the end of the lease term.

Clay Co. office space lease – The Agency entered into an office space lease agreement with M3. The lease requires monthly payments of \$1,200 through November 2027. 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 4.87% 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, 2025.

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, 2026	\$ 518,498	\$ 40,466	\$ 478,032
2027	296,676	18,626	278,050
2028	110,809	10,436	100,373
2029	45,300	6,359	38,941
2030	37,800	4,677	33,123
2031-2035	81,300	4,892	76,408
	<u>\$ 1,090,383</u>	<u>\$ 85,456</u>	<u>\$ 1,004,927</u>

Interest has been included as a direct expense of the local program and administration activity in the amount of \$64,220.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	256
Active employees	<u>202</u>
 Total employees	 <u><u>523</u></u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% 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, 2025, the employer contributions for the Agency was \$678,940 based on a rate of 8.47% 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.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(5) PENSION PLANS (continued)

Contributions (continued)

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, 2024, 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, 2024, 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, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(5) PENSION PLANS (continued)
Actuarial assumptions (continued)

<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, 2025

(5) PENSION PLANS (continued)
Changes in net pension liability (asset)

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a.)	Plan Fiduciary Net Position (b.)	Net Pension Liability (Asset) (a.)-(b.)
Balance at June 30, 2023	<u>\$ 12,074,252</u>	<u>\$ 12,432,584</u>	<u>\$ (358,332)</u>
Changes for the year			
Service cost	744,132	-	744,132
Interest	849,939	-	849,939
Differences between expected and actual experience	148,861	-	148,861
Contributions – employer	-	628,329	(628,329)
Contributions – employees	-	367,875	(367,875)
Net investment income	-	1,239,274	(1,239,274)
Benefit payments, including refunds of employee contributions	(453,398)	(453,398)	-
Administrative expense	<u>-</u>	<u>(19,151)</u>	<u>19,151</u>
Net changes	<u>1,289,534</u>	<u>1,762,929</u>	<u>(473,395)</u>
Balance at June 30, 2024	<u>\$ 13,363,786</u>	<u>\$ 14,195,513</u>	<u>\$ (831,727)</u>

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)	<u>\$ 1,108,723</u>	<u>\$ (831,727)</u>	<u>\$ (2,405,667)</u>

Pension expense

For the year ended June 30, 2025, the Agency recognized pension expense of \$740,763.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(5) PENSION PLANS (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 571,354	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in assumptions	-	149,313
Contributions subsequent to the measurement date of June 30, 2024	<u>678,940</u>	<u>-</u>
	<u>\$ 1,250,294</u>	<u>\$ 149,313</u>

* The amount shown above for "Contributions subsequent to the measurement date of June 30, 2024," 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, 2026	\$14,595
2027	\$349,945
2028	\$104,217
2029	\$(46,708)

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

Payable to the pension plan

At June 30, 2025, the Agency reported a payable of \$91,301 for the outstanding amount of contributions to the pension plan required at the year end June 30, 2025.

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.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(5) PENSION PLANS (continued)

Defined contribution plan (continued)

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.

Employer contributions are vested at a rate of 20% per year. The Agency contributed \$3,429 for the year ended June 30, 2025.

(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, 2024, the following employees of the Agency was covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>162</u>
 Total employees	 <u><u>168</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, 2025, the Agency paid \$34,018 to the LGOP for OPEB benefits as they came due.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(6) OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%.
Healthcare cost trend rates	10.68% for pre-65 in 2024, decreasing annually over a 13 year period to an ultimate rate of 4.50%. 13.44% for post-65 in 2024, decreasing annually over a 12 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, 2024, valuations were the same as those employed in the July 1, 2022 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Discount rate

The discount rate used to measure the total OPEB liability was 3.93%. 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, 2025

(6) OTHER POST EMPLOYMENT BENEFITS (continued)
Changes in the total OPEB liability

	Total OPEB Liability (a.)
Balance at June 30, 2023	\$ 268,338
Changes for the year	
Service cost	35,901
Interest	10,733
Change in benefit terms	(10,097)
Differences between expected and actual experience	13,412
Change in assumptions	13,154
Benefit payments	<u>(20,574)</u>
Net changes	<u>42,529</u>
Balance at June 30, 2024	<u><u>\$ 310,867</u></u>

Changes in assumptions

The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. 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 (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	\$ <u>33,471</u>	\$ <u>310,867</u>	\$ <u>289,921</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(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 that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	Healthcare Cost Trend		
	1% Decrease (9.68%/12.44%) decreasing to 3.50%)	Rates (10.68%/13.44%) decreasing to 4.50%)	1% Increase (11.68%/14.44%) decreasing to 5.50%)
Total OPEB liability	\$ 281,069	\$ 310,867	\$ 345,734

OPEB expense

For the fiscal year ended June 30, 2025, the Agency recognized OPEB expense of \$27,982.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2025, 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	\$ 61,634	\$ 54,705
Changes in assumptions	41,512	60,737
Contributions subsequent to the measurement date of June 30, 2024	<u>34,018</u>	<u>-</u>
	<u>\$ 137,164</u>	<u>\$ 115,442</u>

* The amount shown above for "Contributions subsequent to the measurement date of June 30, 2024," will be recognized as a reduction (increase) to total OPEB liability in the following measurement period.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(6) OTHER POST EMPLOYMENT BENEFITS (continued)

Deferred outflows of resources and deferred inflows of resources (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,	2026	\$	(10,513)
	2027	\$	(6,302)
	2028	\$	(2,907)
	2029	\$	(633)
	2030	\$	6,015
	Thereafter	\$	2,044

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.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(7) RISK MANAGEMENT (continued)

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.

(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 April 19, 2025, for a term of one year ending on April 19, 2026, 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 6.95%.

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Line of credit	\$ <u>-</u>	\$ <u>1,321,963</u>	\$ <u>(1,321,963)</u>	\$ <u>-</u>

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 6.95%.

(10) LITIGATION AND CLAIMS

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

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(11) 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, 2025, the Agency paid the District \$1,986,630 for shared administration and cost pool expenses.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2025, the date which these financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2016</u>
TOTAL PENSION LIABILITY (ASSET)		
Service cost	\$ 403,133	\$ 380,258
Interest	335,166	370,974
Difference between expected and actual experience	(159,342)	75,435
Change in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(96,528)</u>	<u>(60,760)</u>
Net change in total pension liability	482,429	765,907
Beginning	<u>4,114,017</u>	<u>4,596,446</u>
Ending (a)	<u><u>\$ 4,596,446</u></u>	<u><u>\$ 5,362,353</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 292,707	\$ 294,017
Contributions - employee	223,782	224,785
Net investment income	144,292	139,527
Benefit payments, including refunds of employee contributions	(96,528)	(60,760)
Administrative expense	<u>(7,694)</u>	<u>(11,288)</u>
Net change in plan fiduciary net position	556,559	586,281
Beginning	<u>4,478,832</u>	<u>5,035,391</u>
Ending (b)	<u><u>\$ 5,035,391</u></u>	<u><u>\$ 5,621,672</u></u>
NET PENSION LIABILITY (ASSET) (a-b)		
Net pension (asset) liability	<u><u>\$ (438,945)</u></u>	<u><u>\$ (259,319)</u></u>
Plan fiduciary net position as a percentage of total pension liability	109.55%	104.84%
Covered employee payroll	\$ 4,475,647	\$ 4,495,668
Net pension asset as a percentage of covered-employee payroll	-9.81%	-5.77%

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 404,868	\$ 417,766	\$ 342,106	\$ 313,537	\$ 421,227	\$ 485,012	\$ 500,733	\$ 744,132
429,784	470,346	491,720	531,010	589,365	673,192	727,902	849,939
(110,823)	(339,795)	(22,722)	127,218	188,970	5,707	751,399	148,861
124,802	-	-	-	905,163	-	-	-
(73,543)	(135,346)	(220,357)	(260,845)	(288,258)	(360,682)	(377,557)	(453,398)
775,088	412,971	590,747	710,920	1,816,467	803,229	1,602,477	1,289,534
5,362,353	6,137,441	6,550,412	7,141,159	7,852,079	9,668,546	10,471,775	12,074,252
<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>	<u>\$ 10,471,775</u>	<u>\$ 12,074,252</u>	<u>\$ 13,363,786</u>
\$ 300,121	\$ 266,093	\$ 230,037	\$ 252,056	\$ 307,217	\$ 300,323	\$ 484,288	\$ 628,329
229,451	203,436	175,870	192,703	234,876	229,607	321,146	367,875
662,313	571,728	573,891	419,339	2,342,121	(444,447)	770,072	1,239,274
(73,543)	(135,346)	(220,357)	(260,845)	(288,258)	(360,682)	(377,557)	(453,398)
(12,913)	(12,817)	(11,095)	(12,416)	(14,424)	(15,772)	(15,304)	(19,151)
1,105,429	893,094	748,346	590,837	2,581,532	(290,971)	1,182,645	1,762,929
5,621,672	6,727,101	7,620,195	8,368,541	8,959,378	11,540,910	11,249,939	12,432,584
<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>\$ 11,249,939</u>	<u>\$ 12,432,584</u>	<u>\$ 14,195,513</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>	<u>\$ (778,164)</u>	<u>\$ (358,332)</u>	<u>\$ (831,727)</u>
109.61%	116.33%	117.19%	114.10%	119.37%	107.43%	102.97%	106.22%
\$ 4,588,994	\$ 4,068,698	\$ 3,517,378	\$ 3,854,043	\$ 4,697,491	\$ 4,592,076	\$ 6,422,903	\$ 7,357,480
-12.85%	-26.29%	-34.89%	-28.73%	-39.86%	-16.95%	-5.58%	-11.30%

**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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 294,017	\$ 217,977	\$ 184,719	\$ 138,585
Contributions in relation to the actuarially determined contribution	<u>294,017</u>	<u>300,120</u>	<u>266,093</u>	<u>230,037</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (82,143)</u>	<u>\$ (81,374)</u>	<u>\$ (91,452)</u>
Covered employee payroll	\$ 4,495,668	\$ 4,588,994	\$ 4,068,698	\$ 3,517,378
Contributions as a percentage of covered employee payroll	6.54%	6.54%	6.54%	6.54%

NOTES TO SCHEDULE

Valuation date

Actuarially determined contribution rates for 2025 were calculated based on the June 30, 2023, 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	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, 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	2.125%

Change in assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and mortality 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. 33

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 115,622	\$ 103,815	\$ 114,802	\$ 391,155	\$ 448,071	\$ 678,940
<u>252,056</u>	<u>307,217</u>	<u>300,323</u>	<u>484,288</u>	<u>628,329</u>	<u>678,940</u>
<u><u>\$ (136,434)</u></u>	<u><u>\$ (203,402)</u></u>	<u><u>\$ (185,521)</u></u>	<u><u>\$ (93,133)</u></u>	<u><u>\$ (180,258)</u></u>	<u><u>\$ -</u></u>
\$ 3,854,043	\$ 4,697,491	\$ 4,592,076	\$ 6,422,903	\$ 7,357,480	\$ 8,016,551
6.54%	6.54%	6.54%	7.54%	8.54%	8.47%

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

	2019	2020	2021	2022	2023	2024	2025
TOTAL OPEB LIABILITY							
Service cost	\$ 24,357	\$ 23,258	\$ 25,626	\$ 32,452	\$ 28,618	\$ 22,527	\$ 35,901
Interest	10,436	6,213	7,877	5,540	7,382	9,031	10,733
Changes in benefit terms	2,889	-	-	-	-	-	(10,097)
Difference between expected and actual experience	(148,241)	22,591	(24,745)	133,012	(17,672)	(16,072)	13,412
Change in assumptions	4,046	10,564	18,420	(59,338)	(69,488)	35,784	13,154
Benefit payments	<u>(13,604)</u>	<u>(14,329)</u>	<u>(10,048)</u>	<u>(5,421)</u>	<u>(28,180)</u>	<u>(30,748)</u>	<u>(20,574)</u>
Net change in total OPEB liability	(120,117)	48,297	17,130	106,245	(79,340)	20,522	42,529
Beginning	<u>275,601</u>	<u>155,484</u>	<u>203,781</u>	<u>220,911</u>	<u>327,156</u>	<u>247,816</u>	<u>268,338</u>
Ending	<u>\$ 155,484</u>	<u>\$ 203,781</u>	<u>\$ 220,911</u>	<u>\$ 327,156</u>	<u>\$ 247,816</u>	<u>\$ 268,338</u>	<u>\$ 310,867</u>
Covered employee payroll	\$ 3,475,673	\$ 3,943,901	\$ 4,794,887	\$ 4,662,811	\$ 6,473,403	\$ 7,398,114	\$ 7,950,117
Total OPEB liability as a percentage of covered payroll	4.47%	5.17%	4.61%	7.02%	3.83%	3.63%	3.91%

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.

SUPPLEMENTAL INFORMATION

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF ADMINISTRATIVE COSTS
YEAR ENDED JUNE 30, 2025

ADMINISTRATIVE COSTS

Salaries	\$ 1,194,012
Fringe benefits	342,939
Professional fees	37,649
Travel	52,380
Communications	159,072
Supplies	160,784
Occupancy	39,494
Miscellaneous	<u>300</u>

Total administrative costs	<u><u>\$ 1,986,630</u></u>
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UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF LEASE REQUIREMENTS
JUNE 30, 2025

Year Ending June 30,	Bancorp Bank Vehicle Purchase Lease		Clay County Office Space Lease		Cumberland County Office Space Lease		Putnam County Office Space Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,810	\$ 18	\$ 13,074	\$ 1,326	\$ 21,284	\$ 8,716	\$ 341,916	\$ 18,018
2027	-	-	13,736	664	22,863	7,636	177,397	2,570
2028	-	-	5,926	74	26,589	6,411	-	-
2029	-	-	-	-	27,935	5,065	-	-
2030	-	-	-	-	29,350	3,650	-	-
2031	-	-	-	-	30,836	2,164	-	-
2032	-	-	-	-	26,887	614	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
	<u>\$ 1,810</u>	<u>\$ 18</u>	<u>\$ 32,736</u>	<u>\$ 2,064</u>	<u>\$ 185,744</u>	<u>\$ 34,256</u>	<u>\$ 519,313</u>	<u>\$ 20,588</u>

Smith County Office Space Lease		Jackson County Office Space Lease		DeKalb County Office Space Lease		Warren County Office Space Lease	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 32,645	\$ 4,363	\$ 3,097	\$ 1,703	\$ 39,477	\$ 1,067	\$ 24,728	\$ 5,272
34,299	2,710	3,253	1,547	-	-	26,502	3,498
36,036	974	3,418	1,382	-	-	28,404	1,596
-	-	3,591	1,209	-	-	7,414	85
-	-	3,773	1,027	-	-	-	-
-	-	3,964	836	-	-	-	-
-	-	4,165	635	-	-	-	-
-	-	4,376	424	-	-	-	-
-	-	4,597	203	-	-	-	-
-	-	1,585	15	-	-	-	-
<u>\$ 102,980</u>	<u>\$ 8,047</u>	<u>\$ 35,819</u>	<u>\$ 8,981</u>	<u>\$ 39,477</u>	<u>\$ 1,067</u>	<u>\$ 87,048</u>	<u>\$ 10,451</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
YEAR ENDED JUNE 30, 2025

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid During Period	Outstanding June 30, 2025
<u>Primary Government</u>								
Governmental Activities								
<u>Lease Purchase Obligation</u>								
Bancorp Bank	20,246	0.50%	September 2, 2022	August 2025	\$ 8,702	\$ -	\$ 6,892	\$ 1,810
<u>Long-Term Office Space Lease Obligations</u>								
Cumberland County	257,273	4.95%	July 1, 2021	April 2032	206,002	-	20,258	185,744
Putnam County	1,737,069	4.95%	July 1, 2021	December 2026	844,749	-	325,436	519,313
Smith County	219,469	4.95%	July 1, 2021	June 2028	134,052	-	31,072	102,980
Clay County	63,667	4.95%	December 1, 2022	November 2027	45,179	-	12,443	32,736
Jackson County	46,976	4.95%	July 1, 2021	October 2034	38,766	-	2,947	35,819
DeKalb County	179,999	4.95%	July 1, 2021	June 2026	77,054	-	37,577	39,477
Warren County	145,193	6.95%	October 1, 2022	September 2028	110,120	-	23,072	87,048
	<u>\$ 2,669,892</u>				<u>\$ 1,464,624</u>	<u>\$ -</u>	<u>\$ 459,697</u>	<u>\$ 1,004,927</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.	Beginning	Receipts	Expenditures	Other Additions (Deductions)	Ending	Passed through to Subrecipients
Federal Awards - Cash								
U.S. DEPT. OF AGRICULTURE								
Passed through Tennessee Dept. of Human Services								
Child and Adult Care Food Program	10.558		\$ -	\$ 153,695	\$ 153,695	\$ -	\$ -	\$ -
Child and Adult Care Food Program	10.558		-	29,579	29,579	-	-	-
Child and Adult Care Food Program	10.558		-	417,354	546,800	-	129,446	-
Child and Adult Care Food Program	10.558		51,771	243,403	191,632	-	-	-
			51,771	844,031	921,706	-	129,446	-
Passed through Tennessee Dept. of Agriculture								
Emergency Food Assistance Program	10.568		-	43,506	94,015	-	50,509	-
Emergency Food Assistance Program	10.568		53,699	68,270	14,571	-	-	-
Total Food Distribution Cluster			53,699	111,776	108,586	-	50,509	-
Total U.S. Dept. of Agriculture			105,470	955,807	1,030,292	-	179,955	-
U.S. DEPT. OF LABOR								
Passed through the Center for Workforce Inclusion								
Senior Community Service Employment Program	17.235		-	215,263	234,967	-	19,704	-
Senior Community Service Employment Program	17.235		36,275	36,275	-	-	-	-
Total U.S. Dept. of Labor			36,275	251,538	234,967	-	19,704	-

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.	Beginning	Receipts	Expenditures	Other Additions (Deductions)	Ending	Passed through to Subrecipients
Federal Awards - Cash								
U.S. DEPT. OF TRANSPORTATION								
Passed through Tennessee Dept. of Transportation								
Formula Grants for Rural Areas and Tribal Transit Programs	20.509		\$ 1,488,775	\$ 1,488,775	\$ -	\$ -	\$ -	\$ -
Formula Grants for Rural Areas and Tribal Transit Programs	20.509		-	3,703,014	4,706,280	-	1,003,266	-
Formula Grants for Rural Areas and Tribal Transit Programs	20.509		-	250,000	250,000	-	-	-
Formula Grants for Rural Areas and Tribal Transit Programs	20.509		193,751	792,290	699,351	-	100,812	-
Total Formula Grants for Rural Areas and Tribal Transit Programs			1,682,526	6,234,079	5,655,631	-	1,104,078	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		-	63,168	121,259	-	58,091	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		124,211	348,278	224,067	-	-	-
Total Transit Services Programs Cluster			124,211	411,446	345,326	-	58,091	-
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		-	164,459	164,459	-	-	-
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		-	592,310	592,310	-	-	-
Total Federal Transit Cluster			-	756,769	756,769	-	-	-
Total U.S. Dept. of Transportation			1,806,737	7,402,294	6,757,726	-	1,162,169	-
U.S. DEPT. OF TREASURY								
Passed through Tennessee Dept. of Human Services								
Emergency Rental Assistance Program - ARPA	21.023		-	178,591	586,547	-	407,956	-
Emergency Rental Assistance Program - ARPA	21.023		577,056	596,164	19,108	-	-	-
Total U.S. Dept of Treasury			577,056	774,755	605,655	-	407,956	-
U.S. DEPT. OF ENERGY								
Passed through Tennessee Dept. of Human Services								
Weatherization Assistance for Low-Income Persons	81.042		-	111,752	240,232	-	128,480	-
Weatherization Assistance for Low-Income Persons	81.042		62,874	62,874	-	-	-	-
Total U.S. Dept. of Energy			62,874	174,626	240,232	-	128,480	-

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.	Beginning	Receipts	Expenditures	Other Additions (Deductions)	Ending	Passed through to Subrecipients
Federal Awards - Cash								
U.S. DEPT. OF HEALTH AND HUMAN SERVICES								
Head Start	93.600		\$ -	\$ 705,885	\$ 758,266	\$ -	\$ 52,381	\$ -
Head Start	93.600		63,341	63,341	-	-	-	-
Total Head Start Cluster			63,341	769,226	758,266	-	52,381	-
Passed through Upper Cumberland Development District								
Special Programs for the Aging Title III, Part B -								
Grants for Supportive Services and Senior Centers	93.044		2,208	2,208	-	-	-	-
Grants for Supportive Services and Senior Centers	93.044		16,298	16,298	-	-	-	-
Grants for Supportive Services and Senior Centers	93.044		-	7,401	9,370	-	1,969	-
Grants for Supportive Services and Senior Centers	93.044		-	72,023	85,379	-	13,356	-
Grants for Supportive Services and Senior Centers	93.044		14,717	14,717	-	-	-	-
Special Programs for the Aging Title III, Part C -								
Nutrition Services - Congregate Meals	93.045		-	20,657	29,445	-	8,788	-
Nutrition Services - Congregate Meals	93.045		-	20,196	20,196	-	-	-
Nutrition Services - Congregate Meals	93.045		7,618	7,618	-	-	-	-
Special Programs for the Aging Title III, Part D -								
Health Promotion	93.043		-	1,000	1,000	-	-	-
Health Promotion	93.043		-	1,700	1,700	-	-	-
Total Aging Cluster			40,841	163,818	147,090	-	24,113	-
Passed through Oasis Center								
Teen Outreach Program	93.092		-	6,696	9,767	-	3,071	-
Teen Outreach Program	93.092		3,684	3,684	-	-	-	-
Total Oasis Center			3,684	10,380	9,767	-	3,071	-

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.	Beginning	Receipts	Expenditures	Other Additions (Deductions)	Ending	Passed through to Subrecipients
Federal Awards - Cash								
Passed through Tennessee Dept. of Human Services								
Low-Income Home Energy Assistance	93.568		31,942	34,134	2,192	-	-	-
Low-Income Home Energy Assistance	93.568		60,235	141,752	185,860	-	104,343	-
Low-Income Home Energy Assistance	93.568		-	344,164	344,164	-	-	-
Low-Income Home Energy Assistance	93.568		-	-	1,600	-	1,600	-
Low-Income Home Energy Assistance	93.568		181,930	228,023	46,093	-	-	-
Low-Income Home Energy Assistance	93.568		-	2,325,746	2,722,244	-	396,498	-
Low-Income Home Energy Assistance	93.568		66,600	91,104	24,504	-	-	-
Low-Income Home Energy Assistance	93.568		308,719	1,227,908	1,083,441	-	164,252	-
Total Low-Income Home Energy Assistance			649,426	4,392,831	4,410,098	-	666,693	-
Temporary Assistance for Needy Families	93.558		\$ 1,299,256	\$ 6,097,664	\$ 6,022,319	\$ -	\$ 1,223,911	\$ -
Total Temporary Assistance for Needy Families			1,299,256	6,097,664	6,022,319	-	1,223,911	-
Community Services Block Grant	93.569		138,790	361,752	222,962	-	-	-
Community Services Block Grant	93.569		-	399,836	575,930	-	176,094	-
Total Community Services Block Grant			138,790	761,588	798,892	-	176,094	-
Social Services Block Grant	93.667		-	114,276	150,576	-	36,300	-
Social Services Block Grant	93.667		56,623	121,503	64,880	-	-	-
Total Social Services Grant			56,623	235,779	215,456	-	36,300	-
Passed through Tennessee Dept. of Mental Health & Substance Abuse Services								
TNARP	93.959		-	41,784	41,784	-	-	-
Total U.S. Dept. of Health and Human Services			2,251,961	12,473,070	12,403,672	-	2,182,563	-
U.S. DEPT. OF HOMELAND SECURITY								
Passed through United Way								
Emergency Food and Shelter National Board Program	97.024		-	18,152	18,152	-	-	-
Total Emergency Food and Shelter National Board Program			-	18,152	18,152	-	-	-
Total U.S. Dept. of Homeland Security			-	18,152	18,152	-	-	-
Total Expenditures of Federal Awards - Cash			4,840,373	22,050,242	21,290,696	-	4,080,827	-

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.	Beginning	Receipts	Expenditures	Other Additions (Deductions)	Ending	Passed through to Subrecipients
Federal Awards - Noncash								
U.S. DEPT. OF AGRICULTURE								
Passed through Tennessee Dept. of Agriculture								
Emergency Food Assistance Program (Food Commodities)	10.569		<u>\$ (310,662)</u>	<u>\$ 792,180</u>	<u>\$ 723,565</u>	<u>\$ (24,495)</u>	<u>\$ (354,782)</u>	<u>\$ -</u>
Total Food Distribution Cluster - Noncash			<u>(310,662)</u>	<u>792,180</u>	<u>723,565</u>	<u>(24,495)</u>	<u>(354,782)</u>	<u>-</u>
Total Expenditures of Federal Awards - Noncash			<u>(310,662)</u>	<u>792,180</u>	<u>723,565</u>	<u>(24,495)</u>	<u>(354,782)</u>	<u>-</u>
Total Expenditures of Federal Awards - Cash and Noncash			<u>\$ 4,529,711</u>	<u>\$ 22,842,422</u>	<u>\$ 22,014,261</u>	<u>\$ (24,495)</u>	<u>\$ 3,726,045</u>	<u>\$ -</u>

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.	Beginning	Receipts	Expenditures	Other Additions (Deductions)	Ending	Passed through to Subrecipients
State Awards - Cash								
TENNESSEE DEPT. OF PROBATION AND PAROLE								
Community Corrections	N/A		\$ 124,574	\$ 124,574	\$ -	\$ -	\$ -	\$ -
Community Corrections	N/A		-	972,468	1,121,644	-	149,176	-
			124,574	1,097,042	1,121,644	-	149,176	-
TENNESSEE DEPT. OF CHILDREN'S SERVICES								
Community Intervention - Juvenile Services	N/A		54,537	54,537	-	-	-	-
Community Intervention - Juvenile Services	N/A		-	131,120	167,306	-	36,186	-
Special Education	N/A		-	1,000	1,000	-	-	-
			54,537	186,657	168,306	-	36,186	-
TENNESSEE DEPT. OF TRANSPORTATION								
Grants for Buses & Bus Facilities Program	N/A		-	111,058	111,058	-	-	-
Grants for Buses & Bus Facilities Program	N/A		-	37,027	37,027	-	-	-
Grants for Buses & Bus Facilities Program	N/A		-	20,557	20,557	-	-	-
Special Projects Capital Funding	N/A		-	89,813	89,813	-	-	-
Mobility Management	N/A		-	7,896	15,157	-	7,261	-
Public Transportation for Non Urbanized Areas - CARTS	N/A		-	1,176,234	1,522,113	-	345,879	-
Public Transportation for Non Urbanized Areas - CARTS	N/A		-	125,000	125,000	-	-	-
Public Transportation for Non Urbanized Areas - CARTS	N/A		310,803	310,803	-	-	-	-
			310,803	1,878,388	1,920,725	-	353,140	-
TENNESSEE DEPT. OF HEALTH & HUMAN SERVICES								
Enhancement Grant	N/A		-	27,000	27,000	-	-	-
			-	27,000	27,000	-	-	-
TENNESSEE DEPT. OF MENTAL HEALTH & SUBSTANCE ABUSE SERVICES								
Mental Health Substance Abuse	N/A		-	79,984	79,984	-	-	-
Mental Health Substance Abuse	N/A		756	756	-	-	-	-
			756	80,740	79,984	-	-	-
TENNESSEE OPIOID ABATEMENT COUNCIL								
Opioid Abatement	N/A		-	499,542	840,166	-	340,624	-
			-	499,542	840,166	-	340,624	-

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Contract No.	Beginning	Receipts	Expenditures	Other Additions (Deductions)	Ending	Passed through to Subrecipients
State Awards - Cash								
UPPER CUMBERLAND DEVELOPMENT DISTRICT								
Senior Centers	N/A		\$ 424	\$ 424	\$ -	\$ -	\$ -	\$ -
Senior Centers	N/A		1,117	1,117	-	-	-	-
Senior Centers	N/A		-	4,219	5,625	-	1,406	-
Options for Community Living	N/A		2,595	2,595	-	-	-	-
			4,136	8,355	5,625	-	1,406	-
Total Expenditures of State Awards - Cash			494,806	3,777,724	4,163,450	-	880,532	-
Total Expenditures of Federal and State Awards			<u>\$ 5,024,517</u>	<u>\$ 26,620,146</u>	<u>\$ 26,177,711</u>	<u>\$ (24,495)</u>	<u>\$ 4,606,577</u>	<u>\$ -</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2025

(1) BASIS OF PRESENTATION

The schedule of expenditures of federal awards and state financial assistance 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

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, 2023. 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, 2024, 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, 2025, 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 the
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, 2025, 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 11, 2025.

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, Wiley & Menckem, P.C.

Chattanooga, Tennessee
December 11, 2025

**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 the
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 requirements identified 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, 2025. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2025.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Johnson, Wiley & Menckem, P.C.

Chattanooga, Tennessee
December 11, 2025

**UPPER CUMBERLAND HUMAN RESOURCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

A. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of the 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 the 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 programs.
5. The auditors' report on the major federal awards programs for the 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 – Assistance Listing No. 10.558
 - Low-Income Home Energy Assistance – Assistance Listing No. 93.568
8. The threshold for distinguishing Type A programs was \$750,000.
9. Upper Cumberland Human Resource Agency 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, 2025**

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

