

**UPPER CUMBERLAND DEVELOPMENT
DISTRICT**

Cookeville, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2022

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

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
Upper Cumberland Development District**

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely presented component units of Upper Cumberland Development District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate discretely presented component units of Upper Cumberland Development District, as of June 30, 2022, and the respective changes in financial position thereof 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 District 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 District'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.

	2215 Olan Mills Drive	jhmcpa.com	37421	423 756 0052 t
	Chattanooga, Tennessee	iii		423 267 5945 f

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 District'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 District'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 on pages vi through x 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 District's basic financial statements. The schedule of administrative costs, schedule of general long-term debt requirements, and schedule of changes in long-term debt by individual issue on pages 27 through 30 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the District's 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative costs, schedule of general long-term debt requirements, schedule of changes in long-term debt by individual issue and the schedules of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Johnson, Niskey & Meucham, P.C.

December 21, 2022
Chattanooga, Tennessee

**Upper Cumberland Development District
Management's Discussion and Analysis
Year Ended June 30, 2022**

This section of Upper Cumberland Development District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2022. The District'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 District's basic financial statements. The basic financial statements include: government wide financial statements; fund financial statements; and notes to the financial statements. The District also includes in this report additional information to supplement the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are the statement of net position and the statement of activities. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by federal and state grants and charges for services.

The statement of net position presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. In addition, assets, liabilities and net position are reported for Cumberland Area Investment Corporation and Cumberland Regional Development Corporation, which are considered component units of the District.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government services. Again, expenses and revenues of the component units are reported separately from the primary government's financial information.

Fund Financial Statements

Fund financial statements present financial information for governmental funds and fiduciary funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, change in current financial resources (revenues and expenditures), and current available resources. The statement of fiduciary net position provides information concerning assets held in trust by the District on behalf of Public Guardianship Program clients.

Fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all governmental funds. A statement of fiduciary net position is presented for the District's agency fund. Fund financial statements provide more detailed information about the District's activities. Individual funds are established to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants.

The government-wide financial statements and the fund financial statements provide different pictures of the

District. The government-wide financial statements provide an overall picture of the District's financial standing, split between governmental activities and business-type activities. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets including capital assets are reported in the statement of net position. All liabilities, including principal outstanding on capital leases, and future employee benefits obligated but not paid by the District are reported in the statement of net position. Transactions between the different functions of the District, however, have been eliminated in order to avoid a duplication of the revenues and expenses. The fund financial statements provide a picture of the major funds and a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures, and long-term liabilities, such as capital lease obligations, are not included in the fund financial statements. To provide a link from the fund financial statements to the government-wide financial statements, reconciliation is provided from the fund financial statements to the government-wide financial statements.

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 DISTRICT AS A WHOLE

The District implemented the new financial reporting model used in this report beginning with the fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position increased \$613,508 during the fiscal year from a beginning balance of \$11,584,045 to \$12,197,553 at fiscal year-end.

	Total Primary Government	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$13,028,407	\$13,033,804
Capital assets	<u>114,648</u>	<u>46,903</u>
Total assets	<u>13,143,055</u>	<u>13,080,707</u>
Current liabilities	809,570	1,469,360
Long-term liabilities	<u>82,665</u>	<u>-</u>
Total liabilities	<u>892,235</u>	<u>1,469,360</u>
Deferred inflows of resources	<u>53,267</u>	<u>27,302</u>

Net position		
Net investment in capital assets	31,983	32,195
Restricted for revolving and intermediate loan funds	8,142,335	8,366,567
Unrestricted	<u>4,023,235</u>	<u>3,185,283</u>
 Total net position	 <u>\$12,197,553</u>	 <u>\$11,854,045</u>

Since the District 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 District can be categorized as “good.” Despite that fact, UCDD continues to seek and implement cost control measures as funding from these 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).

	Total Primary Government	
	<u>2022</u>	<u>2021</u>
Program Revenues		
Charges for services	\$ 3,240,579	\$ 1,499,453
Operating grants and contributions	7,659,472	13,403,610
 General revenues		
Other general revenues	<u>35,266</u>	<u>4,386</u>
 Total revenues	 10,935,317	 14,907,449
 Program expenses		
General government	<u>10,321,809</u>	<u>9,754,282</u>
 Increase (decrease) in net position	 <u>\$ 613,508</u>	 <u>\$ 5,153,167</u>

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 \$12,315,173. Revenues exceeded expenditures by \$409,242. This was recorded to the fund balance as of June 30, 2022.

General Fund

The general fund is the chief operating fund of Upper Cumberland Development District. At the end of the current fiscal year, unreserved, undesignated, and reserved fund balance of the general fund was \$12,315,173 an increase of \$409,242 from the previous year of \$11,905,931.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Beginning balance was \$46,903, plus current year additions of \$102,197 less current year depreciation of \$34,260, resulted in an ending balance of \$114,648. Additional information on the District's capital assets can be found in Note (4) on page 18 of this report.

Debt Administration

Lease finance purchased vehicles represent the District's long-term debt. Additional information on the District's debt can be found in Note (5) on pages 19-22.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

While the Upper Cumberland Development District is a governmental entity, it is not a unit of local government (i.e., city, county, etc.). Therefore, economic factors do not have the same direct impact upon UCDD's budgets and operations as they have on governmental bodies. UCDD does not have taxing power, nor does it levy fees or set rates, such as for utilities, which generate income in response to changing economic conditions. UCDD contracts primarily with the State of Tennessee and to a lesser degree the Federal government, to administer certain programs on their behalf. To the extent that economic factors affect the State and Federal Governments UCDD's contracts may be positively or negatively impacted.

One March 11, 2020 a global pandemic was declared in response to the rapid spread of the virus COVID-19. Economic conditions have been very mixed during this year as result of this public health emergency. The virus has continued to have a significant impact on local businesses and economic conditions, and has resulted in unemployment rates increasing especially during the beginning of the pandemic through last part of this year and are considerably higher than in 2019. The unemployment rate as of April, 2021 was 15.9% versus 4.4% in June of 2019. These rates are significantly higher but were in line with state and national rates. Since that time unemployment has declined significantly. The latest data (October, 2022) show a rate of 3.6% for the region. This is consistent with Tennessee and national rates of 3.5% and 3.4% respectively. Economic activity measured by state sales tax collections has shown significant increases for the past 12 months. For the month of October, 2022, the area's collections were 13.1% is higher than the October, 2021 level. This most certainly related in large part to the large government stimulus programs. There is some anecdotal evidence that these increases are beginning slow as higher interest rates will probably lessen rates of growth. In addition, government stimulus programs are currently being phased out and area unemployment rates have begun to rise.

Bank deposit growth continues to exceed state and national rates.

Census data show population growth for the region is slightly lower than state and national trends while some counties such as Cumberland and Putnam are growing considerably faster than other counties. The region is becoming known as a good area for retirement and growth in the retirement-aged population. This trend is expected to continue. Anecdotal evidence indicates that many people have been moving to the area since 2020 to escape many problems of large metropolitan areas.

Census data also show that income levels, while still relatively low, are continuing to grow somewhat faster than state and national averages.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

The Cumberland Area Investment Corporation and the Cumberland Regional Development Corporation issue separate audited financial statements. Copies of these financial statements may be obtained from the Upper Cumberland Development District at 1104 England Drive, Cookeville, TN 38501.

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
ROSTER OF MANAGEMENT AND BOARD MEMBERS
YEAR ENDED JUNE 30, 2022**

MANAGEMENT

Mark Farley	Executive Director
Tommy Lee	Deputy Director
Ginger Stout	Finance Director
Myra Walker	Director of Housing & Family Services
Holly Williams	Area Agency on Aging & Disability Director
Lewis Betterton	IT Director
Megan Choate	Director of Lending & Economic Development
Sherry Thurman	Administrative Services Director

BOARD OF DIRECTORS

Randy Heady, Jackson County	Chairman
Jeff Mason, Smith County	Vice Chair
Jimmy Johnson, Fentress County	Secretary
Raney Porter, Putnam County	Treasurer
Brent Bush, Cannon County	Andy Duggin, Cannon County
Roger Turney, Cannon County	Fred Howell, Cannon County
Dale Reagan, Clay County	Luke Collins, Clay County
Doug Young, Clay County	Allen Foster, Cumberland County
Emmett Sherrill, Cumberland County	James Mayberry, Cumberland County
Lisa Patrick, Cumberland County	Ethan Hadley, Cumberland County
Tim Stribling, Dekalb County	Josh Miller, Dekalb County
Bennett Armstrong, Dekalb County	Pam Redmon, Dekalb County
Dewayne Blair, Dekalb County	Suzanne Williams, Dekalb County
Jacob Rosenbaum, Fentress County	Harvey Stowers, Fentress County
Pat Clark, Fentress County	Lloyd Williams, Jackson County
Troy York, Jackson County	Jerry Wilmore, Macon County
Steve Jones, Macon County	Kenneth Hollis, Macon County
Richard Thomas, Macon County	Ben Danner, Overton County
Curtis Hayes, Overton County	Shannon Cantrell, Overton County
Carey Garner, Pickett County	Sam Gibson, Pickett County
Bruce Elder, Pickett County	John Martin, Putnam County
Lisa Chapman-Fowler, Putnam County	Nathan Walker, Putnam County
Ricky Shelton, Putnam County	Amy New, Putnam County
Sarah Marie Smith, Smith County	Hollis Mullinax, Smith County
John Potts, Smith County	Patrick Geho, Smith County
Greg Wilson, Van Buren County	Mickey Robinson, Van Buren County
Stacy Mills, Van Buren County	Jimmy Haley, Warren County
Ryle Chastain, Warren County	Joel Akers, Warren County
Trent Prater, Warren County	Sue Anderson, Warren County
Marvin Lusk, Warren County	Don Alexander, Warren County
Jeff Young, White County	Ray Spivey, White County
Roger McCann, White County	Denny Wayne Robinson, White County
Senator Paul Bailey	Representative Cameron Sexton

UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Total Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents		
Available	\$ 2,391,699	\$ 36,023
Restricted	1,412,377	1,682,567
Certificates of deposit		
Available	139,937	-
Restricted	90,000	-
Accounts receivable	86,581	238,142
Due from other governments	514,430	-
Grants receivable	1,714,479	-
Prepays and other assets	38,946	14,895
Lease interest receivable	-	321
Lease receivables	-	126,462
Loans receivable, net of allowance	6,639,958	1,504,728
Land and other nondepreciable assets	-	968,470
Other capital assets, net of accumulated depreciation	114,648	7,506,114
Total assets	\$ 13,143,055	\$ 12,077,722
LIABILITIES		
Line of credit	\$ -	\$ 90,000
Accounts payable and accrued expenditures	635,267	406,837
Due to other governments	24,700	-
Compensated absences	149,603	-
Long-term liabilities		
Due within one year	29,376	236,970
Due in more than one year	53,289	4,792,609
Total liabilities	\$ 892,235	\$ 5,526,416
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from leases	\$ -	\$ 124,898
Unearned grantor revenue	53,267	-
Total deferred inflows of resources	\$ 53,267	\$ 124,898

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

	Total Governmental Activities	Component Units
	<u> </u>	<u> </u>
NET POSITION		
Net investment in capital assets	\$ 31,983	\$ 4,539,434
Restricted		
Restricted for revolving and intermediary loan funds	8,142,335	1,959,367
Contractually restricted deposits	-	100,207
Unrestricted	<u>4,023,235</u>	<u>(172,600)</u>
Total net position	<u>\$ 12,197,553</u>	<u>\$ 6,426,408</u>

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants and Contributions	Total Governmental Activities (Net)	Component Units
Primary Government					
UCDD operations	\$ 10,321,809	\$ 3,240,579	\$ 7,659,472	\$ 578,242	\$ -
Component Units					
CAIC operations	136,523	145,168	-	-	8,645
CRDC operations	1,303,071	1,072,724	181,226	-	(49,121)
Total component units	\$ 1,439,594	\$ 1,217,892	\$ 181,226	-	(40,476)
GENERAL REVENUES					
In-kind revenue				12,900	-
Gain from the disposal of capital assets				18,431	-
Other				933	11,100
Interest				3,002	760
Total general revenues				35,266	11,860
Change in net position				613,508	(28,616)
NET POSITION					
Beginning				11,584,045	6,455,024
Ending				\$ 12,197,553	\$ 6,426,408

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

**Total
Governmental
Funds**

ASSETS

Cash and cash equivalents		
Available	\$	2,391,699
Restricted		1,412,377
Certificates of deposit		
Available		139,937
Restricted		90,000
Accounts receivable		86,581
Due from other governments		514,430
Grants receivable		1,714,479
Prepays and other assets		38,946
Loans receivable, net of allowance		<u>6,639,958</u>
 Total assets	 \$	 <u><u>13,028,407</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

Liabilities		
Accounts payable	\$	354,729
Accrued expenditures		280,538
Due to other governments		<u>24,700</u>
 Total liabilities		 <u>659,967</u>
 Deferred inflows of resources		
Unearned grantor revenue		<u>53,267</u>
 Fund balances		
Unassigned		4,172,838
Restricted for revolving loan funds		<u>8,142,335</u>
 Total fund balances		 <u>12,315,173</u>
 Total liabilities, deferred inflows of resources, and fund balances	 \$	 <u><u>13,028,407</u></u>

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

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

Fund balances – total governmental funds \$12,315,173

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. 114,648

Long-term liabilities, such as compensated absences and long-term lease obligations, are not due in the current period and, therefore, are not reported in the funds. (232,268)

\$12,197,553

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	<u>Total Governmental Funds</u>
REVENUES	
Grantor contributions	\$ 7,659,472
Administration and cost pool agreement	1,621,913
Revenue from projects	914,138
Revenue from dues	204,798
Program income	214,560
Interest from revolving loans	285,170
In-kind revenue	12,900
Interest	3,002
Other revenue	933
	<hr/>
	10,916,886
 EXPENDITURES	
Salaries	2,378,841
Fringe benefits	827,487
Professional fees	477,755
Travel	136,075
Communications	70,808
Financial assistance	375,080
Contracted services	903,853
Supplies	119,505
Payments to subcontractors	2,572,188
In-kind expenses	12,900
Occupancy	200,638
Indirect costs - administrative	2,209,409
Miscellaneous	205,143
Capital outlay	102,197
Debt service	
Principal	21,765
Interest	2,153
	<hr/>
	10,615,797
 EXCESS OF REVENUES OVER EXPENDITURES	 301,089
 OTHER FINANCING SOURCES (USES)	
Proceeds from vehicle lease obligation	108,153
	<hr/>
NET CHANGE IN FUND BALANCE	409,242
 FUND BALANCE	
Beginning	11,905,931
	<hr/>
Ending	\$ 12,315,173
	<hr/> <hr/>

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

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

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

Net change in fund balances – total governmental funds \$ 409,242

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

Capital outlay reported as expenditures in the governmental funds are reported as capital assets in the statement of net position. 102,197

Proceeds from vehicle lease obligations are reported as long-term lease obligations in the statement of net position and do not effect the governmental funds. (108,153)

Depreciation expense on governmental capital assets are included in the statement of activities. (34,260)

Gain from the disposal of capital assets are reflected in the statement of changes in net position and do not affect the governmental funds. 18,431

Long-term liabilities in the statement of net position include a liability for future lease payments. 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. 21,765

The statement of net position include 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. 204,286

\$ 613,508

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
PUBLIC GUARDIAN FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022**

ASSETS

Cash and cash equivalents	\$ 1,126,753
Property and vehicles	<u>210,500</u>
Total assets	<u>\$ 1,337,253</u>

LIABILITIES AND NET POSITION

Liabilities	\$ -
Net position held in trust	<u>1,337,253</u>
Total liabilities and net position	<u>\$ 1,337,253</u>

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
PUBLIC GUARDIAN FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022**

ADDITIONS

Retirement benefits	\$ 758,667
Dividends and interest	78,672
Transfers	460,631
Sale of property	<u>79,207</u>

Total additions	<u>1,377,177</u>
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DEDUCTIONS

Client expenses	1,302,416
Professional and legal	69,671
Conservator fees	91,350
Taxes	13,813
Transfers	150,459
Estates	<u>2,123</u>

Total deductions	<u>1,629,832</u>
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DECREASE IN NET POSITION

(252,655)

NET POSITION

Beginning	<u>1,589,908</u>
Ending	<u>\$ 1,337,253</u>

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

UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2022

	<u>Cumberland Area Investment Corporation</u>	<u>Cumberland Regional Development Corporation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents			
Available	\$ 10,343	\$ 25,680	\$ 36,023
Restricted	1,558,141	124,426	1,682,567
Accounts receivable	-	238,142	238,142
Prepaid expenses	-	14,895	14,895
Lease interest receivable	321	-	321
Lease receivables	126,462	-	126,462
Loans receivable, net of allowance	1,504,728	-	1,504,728
Land and other nondepreciable assets	-	968,470	968,470
Capital assets, net of accumulated depreciation	<u>404,881</u>	<u>7,101,233</u>	<u>7,506,114</u>
 Total assets	 <u>\$ 3,604,876</u>	 <u>\$ 8,472,846</u>	 <u>\$ 12,077,722</u>
LIABILITIES			
Line of credit	\$ -	\$ 90,000	\$ 90,000
Accounts payable and accrued expenditures	10,586	355,921	366,507
Security deposit liability	5,810	24,219	30,029
Prepaid revenue	5,810	4,491	10,301
Notes payable			
Due within one year	85,603	151,367	236,970
Due in more than one year	<u>1,008,826</u>	<u>3,783,783</u>	<u>4,792,609</u>
 Total liabilities	 <u>\$ 1,116,635</u>	 <u>\$ 4,409,781</u>	 <u>\$ 5,526,416</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from leases	<u>\$ 124,898</u>	<u>\$ -</u>	<u>\$ 124,898</u>
NET POSITION			
Net investment in capital assets	\$ 404,881	\$ 4,134,553	\$ 4,539,434
Restricted for			
Intermediary relending loan funds	1,959,367	-	1,959,367
Contractually restricted deposits	-	100,207	100,207
Unrestricted	<u>(905)</u>	<u>(171,695)</u>	<u>(172,600)</u>
 Total net position	 <u>\$ 2,363,343</u>	 <u>\$ 4,063,065</u>	 <u>\$ 6,426,408</u>

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Cumberland Area Investment Corporation	Cumberland Regional Development Corporation	Total
Cumberland Area Investment Corporation						
CAIC operations	\$ 136,523	\$ 145,168	\$ -	\$ 8,645	\$ -	\$ 8,645
Cumberland Regional Development Corporation						
CRDC operations	1,303,071	1,072,724	181,226	-	(49,121)	(49,121)
Total component units	<u>\$ 1,439,594</u>	<u>\$ 1,217,892</u>	<u>\$ 181,226</u>	<u>8,645</u>	<u>(49,121)</u>	<u>(40,476)</u>
GENERAL REVENUES						
Interest				760	-	760
Other				411	10,689	11,100
Total general revenues				<u>1,171</u>	<u>10,689</u>	<u>11,860</u>
Change in net position				<u>9,816</u>	<u>(38,432)</u>	<u>(28,616)</u>
NET POSITION						
Beginning				<u>2,353,527</u>	<u>4,101,497</u>	<u>6,455,024</u>
Ending				<u>\$ 2,363,343</u>	<u>\$ 4,063,065</u>	<u>\$ 6,426,408</u>

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

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Upper Cumberland Development District (District) is a multi-funded quasi-governmental agency created in accordance with Chapter 241 of the Public Acts of 1965, known as the Development District Act. The District was established in 1969, and serves 14 counties in the Upper Cumberland area. The primary function of the District is to assist the local government agencies in economic development, including the areas of housing, assistance to the elderly, and community development planning. These programs are funded for the most part through federal grants, with matching assistance from the local and state levels.

The governing board consists of:

- County and City Mayors within the established region served by the agency,
- one State Senator and one State Representative whose districts lie wholly or in part within the established region served by the District,
- and one additional member from each county of the region, appointed by the County Mayor.

The accounting policies of the District conform to generally accepted accounting principles applicable to local governments. The more significant accounting policies of the District are summarized below.

Reporting entity

The accompanying financial statements include all funds of Upper Cumberland Development District (the primary government).

The discretely presented component units include organizations which are legally separate from the primary government. They are considered component units because a majority of their boards are appointed by the District or because there is a financial benefit/burden relationship with the District. Discretely presented component units are as follows:

Cumberland Area Investment Corporation (CAIC) - is a government-funded agency established in 1982 by the District as a separate entity to accept and administer federal loan programs. CAIC serves 14 counties in the Upper Cumberland area. The primary function of CAIC is to assist residential and commercial development with its chief goal being the economic development of manufacturing and commercial business by providing long-term financing at available market rates from funds provided by government funding and administered by CAIC. This component unit operates as an enterprise fund.

Cumberland Regional Development Corporation (CRDC) - is a government-funded agency chartered as a Tennessee general corporation pursuant to Section 48-1201 of the Tennessee General Corporation Act. CRDC was established in 1996 and works with HUD, THDA, Federal Home Loan Bank and USDA Rural Development to create low cost affordable housing. CRDC currently has complexes in 12 counties throughout the State of Tennessee. This component unit operates as an enterprise fund.

CAIC and CRDC issue separate audited financial statements. Copies of these financial statements may be obtained from the Upper Cumberland Development District. CAIC and CRDC's fiscal year end is June 30.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The District presents government-wide as well as fund level financial statements with activities categorized as governmental. The government-wide statements of net position and activities have eliminated internal balances and transfers between the activities of the governmental funds, which were presented separately in the fund financial statements. Cash balances held by agency funds for governmental activities of the primary government are eliminated in the government-wide statement of net position and in the fund financial statements.

The government-wide statement of activities reflects both the gross and net cost of functional categories which are otherwise supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues are those directly associated with administering the District's programs. Operating and capital grants and contributions are limited to the funding of a specific operating expense or capital acquisition.

At the fund level, major funds are presented separately while non-major funds are combined into a single column. Major funds are determined based on their percentage of assets, liabilities, revenues or expenditures compared to the total of the same for all governmental funds, and on their percentage of the same for the total of all governmental and proprietary funds, as applicable. The general fund is reported as a major governmental fund.

Basis of accounting

The government-wide financial statements, consisting 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 District 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 (generally defined as within 60 days) to be used to pay liabilities of the current 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. Exceptions to this general rule include accumulated unpaid vacation and long-term lease obligations which are expected to be liquidated with future resources.

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

The fiduciary fund is custodial in nature, as it receives and disburses receipts for clients assigned to the Public Guardian program by the courts. The District's fiduciary fund is presented using the economic resources measurement focus and the accrual basis of accounting.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

The discretely-presented component units, CAIC and CRDC, use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when the liability is incurred.

Fund accounting

The accounts of the District 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 District. 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.

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.

Fiduciary Fund - Trust and agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals in the Public Guardian program assigned by the courts.

Non-current governmental assets/liabilities - The District 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 – Generally, 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 District 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

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 District’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 District 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 District’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District’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.

Budget and budgetary control

The District 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.

Receivables

Receivables are reported at the outstanding principal amount. The District 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.

Loans receivable and allowance for loan losses

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management’s periodic evaluation of the adequacy of the allowance is based on the program’s past loan loss experience, known and other risks inherent to the portfolio, specific impaired loans, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and current economic conditions.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans receivable and allowance for loan losses (continued)

Management considers a loan impaired when based on current information factors, it is probable that management will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history, value of collateral, and changes in employment of the borrower. Impairment is measured on a loan by loan basis by using the fair value of the collateral.

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 District capitalizes long-lived assets with an original cost of \$5,000 or more over their estimated useful lives using the straight-line method. CAIC and CRDC capitalize long-lived assets with an original cost of \$5,000 or more over their estimated useful lives using the straight-line method. Such assets are recorded at cost.

Cash equivalents

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

Change in accounting principle

On July 1, 2021, the District and its component units implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This standard enhances the relevance and consistency of information of the District and its component unit's leasing activities. GASB No. 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.

All of the District and CRDC's lease agreements are rolling year-to-year short-term leases and the implementation of GASB No. 87 had no effect on the District and CRDC's current year operations. On July 1, 2021, CAIC recognized a lease receivable of \$170,316 and a deferred inflow of resources from leases of \$170,316 for its long-term office space rental revenue contracts. The implementation of GASB No. 87 did not impact beginning net position of the District and its component units.

Deferred outflows/inflows of resources

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

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

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

As of June 30, 2022, the District did not have any deferred outflows of resources and had \$53,267 of deferred inflows of resources from unearned grantor revenue. CAIC had \$124,898 of deferred inflows of resources from leases as of June 30, 2022.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(2) CASH AND INVESTMENTS

The District reports its cash and investments under professional guidance designed to improve financial reporting of deposit and investment risks.

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

	Weighted Average Maturity (Years)	Fair Value
Checking accounts	0.00	\$ 3,804,076
Certificates of deposit	0.45	229,937
	0.02	\$ 4,034,013

Interest Rate Risk – As a means of limiting its exposure to losses resulting from rising interest rates, the District's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The District's investments experienced no significant fluctuations in fair value during the year.

Custodial Credit Risk – The District'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 District's agent in the District's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the District may participate. The District's policy is to limit its investments to certificates of deposit and savings and money market accounts with local banks. The District could also invest with the State of Tennessee local government pooled investment fund, but has chosen not to do so.

Credit Risk – The District's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

(3) LOANS RECEIVABLE

UCDD receives funding through Economic Development Agency grants and CAIC receives funding through Department of Agriculture loans to provide financing to local businesses in order to promote economic development and provide jobs in the 14 counties served.

Loans receivable at June 30, 2022, consisted of the following:

Governmental activities

Economic Development Administration loans	\$ 6,793,223
Less allowance for loan losses	153,265
	\$ 6,639,958

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(3) LOANS RECEIVABLE (continued)

Component units

Farmers Home Administration loans	\$ 1,482,392
Rural Business Enterprise loans	62,136
Farm loans	<u>201,401</u>
	1,745,929
Less: allowance for loan losses	<u>241,201</u>
	<u><u>\$ 1,504,728</u></u>

(4) 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>
Depreciable capital assets				
Vehicles	\$ 318,202	\$ 102,197	\$ (19,900)	\$ 400,499
Equipment, furniture and fixtures	<u>179,832</u>	<u>-</u>	<u>-</u>	<u>179,832</u>
	<u>\$ 498,034</u>	<u>\$ 102,197</u>	<u>\$ (19,900)</u>	<u>\$ 580,331</u>
Less accumulated depreciation				
Vehicles	\$ 278,952	\$ 30,141	\$ (19,708)	\$ 289,385
Equipment, furniture and fixtures	<u>172,179</u>	<u>4,119</u>	<u>-</u>	<u>176,298</u>
	<u>451,131</u>	<u>34,260</u>	<u>(19,708)</u>	<u>465,683</u>
Depreciable capital assets, net	<u>\$ 46,903</u>	<u>\$ 67,937</u>	<u>\$ (192)</u>	<u>\$ 114,648</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	<u><u>\$ 34,260</u></u>
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UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(4) CAPITAL ASSETS (continued)

Component units

A summary of changes in capital assets and accumulated depreciation for the CAIC and CRDC is as follows:

General government				\$ <u>23,917</u>
	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions and reclassifications</u>	<u>Ending</u>
Non-depreciable capital assets				
Land	\$ 820,766	\$ -	\$ -	\$ 820,766
Construction in process	<u>121,173</u>	<u>26,531</u>	<u>-</u>	<u>147,704</u>
 Total non-depreciable capital assets	 <u>\$ 941,939</u>	 <u>\$ 26,531</u>	 <u>\$ -</u>	 <u>\$ 968,470</u>
 Depreciable capital assets				
Building and improvements	\$ 9,604,379	\$ -	\$ -	\$ 9,604,379
Vehicles	17,675	-	-	17,675
Equipment, furniture and fixtures	<u>280,585</u>	<u>-</u>	<u>-</u>	<u>280,585</u>
	<u>9,902,639</u>	<u>-</u>	<u>-</u>	<u>9,902,639</u>
 Less accumulated depreciation				
Building and improvements	2,008,632	271,694	-	2,280,326
Vehicles	17,675	-	-	17,675
Equipment, furniture and fixtures	<u>98,042</u>	<u>482</u>	<u>-</u>	<u>98,524</u>
	<u>2,124,349</u>	<u>272,176</u>	<u>-</u>	<u>2,396,525</u>
 Depreciable capital assets, net	 <u>\$ 7,778,290</u>	 <u>\$ (272,176)</u>	 <u>\$ -</u>	 <u>\$ 7,506,114</u>

On June 1, 2022, CRDC renewed the operating lease for a portion of the building to the Upper Cumberland Development District under a one year lease expiring June 1, 2023. The lease requires monthly installments of \$16,300.

(5) LONG-TERM DEBT

Governmental activities

Debt for governmental activities reported in the government-wide statement of net position represents amounts not expected to be paid with expendable, available resources, and consists of the following:

Lease financed purchase of vehicles with Ford Motor Credit, payable in monthly installments of \$2,815, including interest at 6.35% through February 2025, secured by vehicles \$ 82,665

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) LONG-TERM DEBT (continued)

Future maturities are as follows:

	<u>Gross Payment</u>	<u>Interest</u>	<u>Principal</u>
For the year ending:			
June 30, 2023	\$ 33,780	\$ 4,404	\$ 29,376
2024	33,779	2,483	31,296
2025	<u>22,520</u>	<u>527</u>	<u>21,993</u>
	<u>\$ 90,079</u>	<u>\$ 7,414</u>	<u>\$ 82,665</u>

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

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Lease finance purchase	\$ 14,708	\$ 89,722	\$ (21,765)	\$ 82,665

Component units

Notes payable of CAIC and CRDC consist of the following:

Note to Farmers Home Administration Intermediary Relending Program, payable in annual installments of \$42,500, including interest at 1.0% due March 2025, secured by bank accounts	\$ 112,905
Note to Farmers Home Administration Intermediary Relending Program, payable in annual installments of \$22,250, including interest at 1.0% due September 2038, secured by bank accounts	494,258
Note to Farmers Home Administration Intermediary Relending Program, payable in annual installments of \$31,838, including interest at 1.0%, due June 2043, secured by bank accounts	487,266
Mortgage payable to Wilson Bank & Trust at a calculated payment of \$1,016 including principal and interest at a rate of 2.0%, through June 2030, then variable interest adjusted annually to a fixed rate calculated at New York Prime minus 3% with a floor of 1.85% through May 2045. The mortgage is collateralized by both Cookeville office buildings and guarantees of UCDD, CAIC and CRDC.	2,401,720
Mortgage payable to Wilson Bank & Trust at a calculated payment of \$5,268 including principal and interest at a rate of 3.98%, through June 2030, then payments of \$5,186 including principal and interest at a variable interest rate at New York Prime plus 0.50%, through May 2045. The mortgage is secured by all real estate and guarantees of UCDD, CAIC and CRDC.	949,546
Mortgage payable to Progressive Savings Bank at a calculated payment of \$1,272 including principal and interest at a rate of 4.5%, through July 2036. The mortgage is secured by all real estate and the assignment of rents and profits	152,721

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) LONG-TERM DEBT (continued)

Component units (continued)

Mortgage payable to the U.S. Department of Agriculture at a calculated payment of \$2,253 including principal and interest at a rate of 1%, through May 2038. The mortgage is secured by all real estate and the assignment of all rents and profits \$ 397,581

Mortgage payable to the U.S. Department of Agriculture at a calculated payment of \$464, including principal and interest at a rate of 1%, through May 2038. The mortgage is secured by the assignment of all rents and profits 81,859

Less unamortized deferred financing costs 5,077,856
48,277

\$ 5,029,579

Future maturities are as follows:

	<u>Gross Payment</u>	<u>Interest</u>	<u>Principal</u>
For the year ending:			
June 30, 2023	\$ 339,807	\$ 102,837	\$ 236,970
2024	339,808	102,823	236,985
2025	327,505	98,182	229,323
2026	297,357	93,791	203,566
2027	297,357	89,587	207,770
2028-2032	1,479,602	381,688	1,097,914
2033-2037	1,447,778	260,399	1,187,379
2038-2042	1,157,399	139,643	1,017,756
2043-2047	<u>686,830</u>	<u>26,637</u>	<u>660,193</u>
	<u>\$ 6,373,443</u>	<u>\$ 1,295,587</u>	<u>\$ 5,077,856</u>

A summary of changes in long-term debt for component units is as follows:

	<u>Beginning</u>	<u>Adjustments and additions</u>	<u>Adjustments and retirements</u>	<u>Ending</u>
Notes payable	<u>\$ 5,253,102</u>	<u>\$ 57,801</u>	<u>\$ (233,047)</u>	<u>\$ 5,077,856</u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(5) LONG-TERM DEBT (continued)

Component units (continued)

Notes payable, net of deferred financing costs

Due within one year	\$ 236,970
Due within more than one year	<u>4,792,609</u>
	<u>\$ 5,029,579</u>

Deferred financing costs as of June 30, 2022, are as follows:

Deferred financing costs	\$ 52,857
Less accumulated amortization	<u>4,580</u>
Deferred financing costs, net	<u>\$ 48,277</u>

Amortization included in interest expense for the year ended June 30, 2022, was \$2,114. Estimated amortization expense for the next five fiscal years are as follows:

Year ending June 30, 2023	\$ 2,114
2024	2,114
2025	2,114
2026	2,114
2027	2,114
Thereafter	<u>37,707</u>
	<u>\$ 48,277</u>

(6) LINE OF CREDIT

Component units

Line of credit consists of the following:

CRDC maintains a line of credit with First National Bank of Tennessee. The line provides for borrowings of up to \$200,000 including interest, and maturing December 2022. The line is secured by UCDD CD's. As of June 30, 2022, there was an outstanding balance of \$90,000 on this line.

A summary of changes in line of credit is as follows:

	<u>Beginning</u>	<u>Adjustments and additions</u>	<u>Adjustments and retirements</u>	<u>Ending</u>
Line of credit	\$ 120,194	\$ -	\$ (30,194)	<u>\$ 90,000</u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(7) EMPLOYEE RETIREMENT PLAN

Primary government

The Upper Cumberland Development District Money Purchase Pension Plan is a defined contribution profit sharing plan established by the District to provide benefits at retirement age to full-time, permanent employees of the District. This plan is administered by trustees appointed by the Board of Directors. Participation in the plan is elective, subject to certain eligibility requirements. Each year the District makes a contribution to the plan equal to 7% of the compensation of all eligible participants plus an additional 3% for those who participate in the 457 Deferred Compensation Plan. Participants vest in employer contributions at 20% per year of service (1,000 hours) until fully vested at five years of service. Forfeitures are used first to pay administrative expenses and any remaining forfeitures are used to reduce District contributions. For the year ended June 30, 2022, District contributions were \$324,321. Plan provisions and contribution requirements are established and may be amended by the Upper Cumberland Development District Board of Directors.

(8) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors and omissions, damages to assets, and injuries to employees. It is the policy of the District to obtain insurance, including general liability, property, casualty, and workers' compensation, to manage these risks. The Agency has joined the Tennessee Municipal League Risk Management Pool (TML), whose membership allows the District to share liability, motor vehicle, and employee injury risks. Other risks are managed through the purchase of commercial insurance.

The TML Risk Management Pool is a governmental entity organized by Tennessee governmental entities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee governmental entities with an emphasis on risk management and controlling losses, as all costs are shared by the Pool member governmental entities.

The District has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year also settlements did not exceed insurance coverage for any of the past three fiscal years. The District is not aware of any claims, for which it is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2022. No provision has been made in the financial statements for the year ended June 30, 2022, for any estimate of potential unpaid claims.

(9) LITIGATION AND CLAIMS

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

(10) COMPENSATED ABSENCES

The District has a policy of compensated annual vacation/personal leave based upon years of service. The leave is cumulative and vesting, to a maximum of 80 hours, and any unused leave is payable upon the employee's termination, resignation, retirement, death, or request.

An estimated liability, in the amount of \$149,603, for unpaid vacation is recorded in the government-wide financial statements. None of the government activities liability is recorded in the fund financial statements, because any payments, even those which would be paid in the next twelve months, if susceptible to a reasonable estimate, are expected to be liquidated with future resources.

	Beginning Balance	Adjustments and Additions	Adjustments and Retirements	Ending Balance
Compensated absences	\$ 353,889	\$ -	\$ 204,286	\$ 149,603

(10) LEASE REVENUE

Component Units

On February 26, 2020, CAIC entered into a long-term rental agreement with Independent Opportunities, Inc. for the rental of 4,000 square feet of office space located at 1225 South Willow Avenue in Cookeville. The lease term is for 60 months requiring monthly installments of \$4,000 including interest at 3.05% through March 31, 2025. The lease is not renewable and Independent Opportunities, Inc. will not acquire the office space at the end of the 60 months. As of June 30, 2022, leases receivable totaled \$126,462.

For the year ended June 30, 2022, CAIC received lease revenue from the rental of office space of \$45,418 and interest revenue from leases of \$4,467. Future payment due to CAIC are as follows:

	Gross Receipts	Interest	Principal
For the year ending:			
June 30, 2023	\$ 48,000	\$ 3,235	\$ 44,765
June 30, 2024	48,000	1,850	46,150
June 30, 2025	36,000	453	35,547
	\$ 132,000	\$ 5,538	\$ 126,462

(11) SHARED ADMINISTRATION AND COST POOL AGREEMENT

On August 21, 2018, the Upper Cumberland Development District and Upper Cumberland Human Resource Agency 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. Included in administrative costs are \$1,621,913 for the Agency as of June 30, 2022.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

(12) SUBSEQUENT EVENTS

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

SUPPLEMENTAL INFORMATION

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF ADMINISTRATIVE COSTS
YEAR ENDED JUNE 30, 2022**

ADMINISTRATIVE COSTS

Salaries	\$ 1,284,709
Fringe benefits	383,262
Professional fees	142,573
Travel	62,731
Communications	66,021
Supplies	72,411
Occupancy	197,698
Miscellaneous	<u>4</u>

Total administrative costs \$ 2,209,409

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF GENERAL LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2022

Cumberland Regional Development Corporation

Year Ending June 30,	Progressive Savings Bank Note Payable		U.S.D.A Loan # 1		U.S.D.A. Loan # 2		Wilson Bank & Trust Loan #1		Wilson Bank & Trust Loan #2	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 8,854	\$ 6,416	\$ 23,160	\$ 3,870	\$ 4,769	\$ 797	\$ 87,038	\$ 45,152	\$ 27,546	\$ 35,664
2024	8,949	6,321	23,393	3,637	4,816	749	86,525	45,666	26,843	36,368
2025	9,379	5,891	23,628	3,402	4,865	700	88,397	43,793	28,032	35,178
2026	9,810	5,460	23,865	3,165	4,914	652	90,183	42,007	29,170	34,040
2027	10,262	5,008	24,105	2,925	4,963	602	92,005	40,186	30,355	32,855
2028	10,722	4,548	24,347	2,683	5,013	552	93,759	38,432	31,500	31,710
2029	11,228	4,042	24,592	2,438	5,063	502	95,757	36,733	32,866	30,344
2030	11,744	3,525	24,839	2,191	5,114	451	97,475	34,499	34,118	29,010
2031	12,285	2,985	25,088	1,942	5,166	400	97,034	32,554	34,578	27,643
2032	12,844	2,427	25,340	1,690	5,217	348	98,911	30,677	35,910	26,311
2033	13,442	1,828	25,595	1,435	5,270	295	100,993	28,595	37,440	24,781
2034	14,060	1,209	25,852	1,178	5,323	243	103,033	26,555	38,960	23,261
2035	14,708	562	26,112	918	5,376	189	105,114	24,474	40,542	21,679
2036	4,434	39	26,374	656	5,430	135	107,177	22,411	42,133	20,088
2037	-	-	26,639	391	10,560	25	109,403	20,185	43,899	18,322
2038	-	-	24,652	112	-	-	111,613	17,975	45,681	16,540
2039	-	-	-	-	-	-	113,867	15,721	47,536	14,685
2040	-	-	-	-	-	-	116,132	13,456	49,431	12,790
2041	-	-	-	-	-	-	118,513	11,075	51,473	10,749
2042	-	-	-	-	-	-	120,907	8,681	53,562	8,659
2043	-	-	-	-	-	-	123,350	6,238	55,737	6,484
2044	-	-	-	-	-	-	125,833	3,755	57,989	4,232
2045	-	-	-	-	-	-	118,701	1,183	74,245	1,724
	<u>\$ 152,721</u>	<u>\$ 50,261</u>	<u>\$ 397,581</u>	<u>\$ 32,633</u>	<u>\$ 81,859</u>	<u>\$ 6,640</u>	<u>\$ 2,401,720</u>	<u>\$ 590,003</u>	<u>\$ 949,546</u>	<u>\$ 503,117</u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF GENERAL LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2022

Cumberland Area Investment Corporation									
Year Ending June 30,	Farmers Home Intermediary Relending Program Loan #3		Farmers Home Intermediary Relending Program Loan #4		Farmers Home Intermediary Relending Program Loan #5		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 41,321	\$ 1,129	\$ 26,891	\$ 4,947	\$ 17,391	\$ 4,862	\$ 85,603	\$ 10,938	
2024	41,734	716	27,160	4,678	17,565	4,688	86,459	10,082	
2025	29,850	298	27,431	4,407	17,741	4,513	75,022	9,218	
2026	-	-	27,706	4,132	17,918	4,335	45,624	8,467	
2027	-	-	27,983	3,855	18,097	4,156	46,080	8,011	
2028	-	-	28,263	3,575	18,278	3,975	46,541	7,550	
2029	-	-	28,545	3,293	18,461	3,792	47,006	7,085	
2030	-	-	28,831	3,007	18,645	3,608	47,476	6,615	
2031	-	-	29,119	2,719	18,832	3,421	47,951	6,140	
2032	-	-	29,410	2,428	19,020	3,233	48,430	5,661	
2033	-	-	29,704	2,134	19,210	3,043	48,914	5,177	
2034	-	-	30,001	1,837	19,402	2,851	49,403	4,688	
2035	-	-	30,301	1,537	19,596	2,657	49,897	4,194	
2036	-	-	30,604	1,234	19,792	2,461	50,396	3,695	
2037	-	-	30,910	928	19,990	2,263	50,900	3,191	
2038	-	-	31,219	619	20,190	2,063	51,409	2,682	
2039	-	-	30,180	306	20,392	1,861	50,572	2,167	
2040	-	-	-	-	20,596	1,657	20,596	1,657	
2041	-	-	-	-	20,802	1,451	20,802	1,451	
2042	-	-	-	-	21,010	1,243	21,010	1,243	
2043	-	-	-	-	21,220	1,033	21,220	1,033	
2044	-	-	-	-	21,432	821	21,432	821	
2045	-	-	-	-	21,647	606	21,647	606	
2046	-	-	-	-	21,863	390	21,863	390	
2047	-	-	-	-	18,176	171	18,176	171	
	<u>\$ 112,905</u>	<u>\$ 2,143</u>	<u>\$ 494,258</u>	<u>\$ 45,636</u>	<u>\$ 487,266</u>	<u>\$ 65,154</u>	<u>\$ 1,094,429</u>	<u>\$ 112,933</u>	

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
YEAR ENDED JUNE 30, 2022

<u>Description of loan</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Outstanding July 1, 2021</u>	<u>Issued During Period</u>	<u>Paid During Period</u>	<u>Outstanding June 30, 2022</u>
<u>Primary Government</u>								
Governmental Activities								
<u>Lease Purchase Obligation</u>								
Ford Motor Credit	\$ 42,717	6.80%	November 12, 2019	May 2022	\$ 14,708	\$ -	\$ 14,708	\$ -
Ford Motor Credit	<u>89,722</u>	6.35%	March 12, 2022	February 2025	<u>-</u>	<u>89,722</u>	<u>7,057</u>	<u>82,665</u>
	<u>\$ 132,439</u>				<u>\$ 14,708</u>	<u>\$ 89,722</u>	<u>\$ 21,765</u>	<u>\$ 82,665</u>
 <u>Discretely Presented Component Units</u>								
Busines-Type Activites								
 Cumberland Area Investment Corporation								
<u>Notes Payable</u>								
Farmers Home Intermediary Relending Program Loan #3	992,500	1.00%	March 29, 1995	March 2025	\$ 153,698	\$ -	\$ 40,793	\$ 112,905
Farmers Home Intermediary Relending Program Loan #4	750,000	1.00%	September 5, 2008	September 2038	521,206	-	26,948	494,258
Farmers Home Intermediary Relending Program Loan #5	466,406	1.00%	June 27, 2016	June 2043	446,072	57,801	16,607	487,266
 Cumberland Regional Development Corporation								
<u>Notes Payable</u>								
Progressive Savings Bank	200,000	4.50%	April 17, 2017	July 2036	166,867	-	14,146	152,721
U.S.D.A. Loan # 1	627,284	1.00%	December 1, 2011	May 2038	420,510	-	22,929	397,581
U.S.D.A. Loan # 2	129,154	1.00%	December 1, 2011	May 2038	86,581	-	4,722	81,859
Wilson Bank & Trust Loan #1	2,570,400	2.00%	May 14, 2020	May 2045	2,483,530	-	81,810	2,401,720
Wilson Bank & Trust Loan #2	<u>1,000,000</u>	3.98%	May 14, 2020	May 2045	<u>974,638</u>	<u>-</u>	<u>25,092</u>	<u>949,546</u>
	<u>\$ 6,735,744</u>				<u>\$ 5,253,102</u>	<u>\$ 57,801</u>	<u>\$ 233,047</u>	<u>\$ 5,077,856</u>

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing No.	Contract No.
Federal Awards		
U.S. Department of Commerce		
Economic Development Cluster		
COVID-19 - RLF Economic Adjustment Assistance	11.307	
Total Economic Development Cluster		
COVID-19 - Economic Development for Support for Planning Organizations	11.302	
Economic Development Support for Planning Organizations	11.302	
Economic Development Support for Planning Organizations	11.302	
Total U.S. Dept. of Commerce		
U.S. Department of Agriculture		
SNAP Cluster		
Supplemental Nutrition Assistance Program	10.561	
Supplemental Nutrition Assistance Program	10.561	
Total SNAP Cluster		
Total U.S. Department of Agriculture		
U.S. Department of the Interior		
Historic Preservation Fund Grants-In-Aid	15.904	
Historic Preservation Fund Grants-In-Aid	15.904	
Total U.S. Dept. of the Interior		
U.S. Department of Transportation		
Rural Planning Organization Program		
Highway Planning & Construction Cluster		
Appalachain Development Highway System - Power Grant	23.003	
Appalachain Development Highway System - Inspire	23.003	

<u>Beginning Accrued (Deferred)</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Accrued (Deferred)</u>	<u>Passed through to Subrecipients</u>	<u>Capital Advance</u>
\$ 61,166	\$ 224,407	\$ 227,099	\$ 63,858	\$ -	\$ 5,351,700
61,166	224,407	227,099	63,858	-	5,351,700
51,817	157,938	194,373	88,252	-	-
17,500	52,500	35,000	-	-	-
-	17,500	35,000	17,500	-	-
<u>130,483</u>	<u>452,345</u>	<u>491,472</u>	<u>169,610</u>	<u>-</u>	<u>5,351,700</u>
9,641	17,366	7,725	-	-	-
-	21,230	38,294	17,064	-	-
<u>9,641</u>	<u>38,596</u>	<u>46,019</u>	<u>17,064</u>	<u>-</u>	<u>-</u>
<u>9,641</u>	<u>38,596</u>	<u>46,019</u>	<u>17,064</u>	<u>-</u>	<u>-</u>
13,137	18,785	5,648	-	-	-
-	-	24,674	24,674	-	-
<u>13,137</u>	<u>18,785</u>	<u>30,322</u>	<u>24,674</u>	<u>-</u>	<u>-</u>
-	238,453	238,453	-	258,453	-
-	41,815	69,835	28,020	-	-

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing No.	Contract No.
Federal Awards (continued)		
Appalachain Development Highway System	23.003	
Appalachain Development Highway System	23.003	
Highway Planning & Construction	20.205	
 Total Highway Planing & Construction Cluster		
 Total U.S. Dept. of Transportation		
 U.S. Department of Health and Human Services		
Aging Cluster		
Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	
Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	
COVID-19 - Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	
COVID-19 - Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	
Special Programs for the Aging - Title III, Part C - Planning	93.045	
Special Programs for the Aging - Title III, Part C - Planning	93.045	
Special Programs for the Aging - Title III, Part C - Congregate	93.045	
Special Programs for the Aging - Title III, Part C - Congregate	93.045	
Special Programs for the Aging - Title III, Part C - Home Delivered	93.045	
Special Programs for the Aging - Title III, Part C - Home Delivered	93.045	
 COVID-19 - Special Programs for the Aging - Title III, Part C - Planning	 93.045	
COVID-19 - Special Programs for the Aging - Title III, Part C - Home Delivered	93.045	
COVID-19 - Special Programs for the Aging - Title III, Part C - Home Delivered - ARP	93.045	

Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
31,041	62,082	31,041	-	-	-
-	79,264	79,264	-	-	-
<u>90,452</u>	<u>159,419</u>	<u>181,263</u>	<u>112,296</u>	<u>-</u>	<u>-</u>
<u>121,493</u>	<u>581,033</u>	<u>599,856</u>	<u>140,316</u>	<u>258,453</u>	<u>-</u>
<u>121,493</u>	<u>581,033</u>	<u>599,856</u>	<u>140,316</u>	<u>258,453</u>	<u>-</u>
109,467	109,467	-	-	-	-
-	447,465	563,599	116,134	-	-
74,036	171,373	97,337	-	-	-
-	14,688	52,946	38,258	-	-
61,274	61,274	-	-	-	-
-	194,000	232,800	38,800	-	-
104,402	104,402	-	-	-	-
-	253,115	359,703	106,588	-	-
84,117	84,117	-	-	-	-
-	322,493	481,348	158,855	-	-
17,054	44,095	27,041	-	-	-
-	201,879	238,698	36,819	-	-
-	36,798	-	(36,798)	-	-

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing No.	Contract No.
Federal Awards (continued)		
COVID-19 - Special Programs for the Aging - Title III, Part C - Home Delivered	93.045	
COVID-19 - Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	
Nutrition Services Incentive Program	93.053	
Nutrition Services Incentive Program	93.053	
Total Aging Cluster		
Medicaid Cluster		
Medical Assistance Program	93.778	
Medical Assistance Program	93.778	
Medical Assistance Program	93.778	
Total Medicaid Cluster		
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	
Special Programs for the Aging, Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individuals	93.042	
Special Programs for the Aging, Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individuals	93.042	
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individuals	93.042	
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	

Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
95,263	274,540	179,277	-	-	-
6,591	6,591	-	-	-	-
19,330	19,330	-	-	-	-
-	107,830	129,400	21,570	-	-
<u>571,534</u>	<u>2,453,457</u>	<u>2,362,149</u>	<u>480,226</u>	<u>-</u>	<u>-</u>
105,674	105,674	-	-	-	-
-	230,868	333,076	102,208	10,000	-
-	-	1,360	1,360	-	-
<u>105,674</u>	<u>336,542</u>	<u>334,436</u>	<u>103,568</u>	<u>10,000</u>	<u>-</u>
830	830	-	-	-	-
-	3,600	4,800	1,200	4,800	-
4,220	4,220	-	-	-	-
-	20,250	28,600	8,350	28,600	-
-	-	19,641	19,641	19,641	-
27,983	27,983	-	-	-	-
-	15,921	24,785	8,864	-	-
21,484	21,484	-	-	-	-
21,656	296,004	325,771	51,423	-	-
-	-	9,664	9,664	-	-

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing No.	Contract No.
Federal Awards (continued)		
COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	
COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	
COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	
National Family Caregiver Support, Title III, Part E	93.052	
National Family Caregiver Support, Title III, Part E	93.052	
National Family Caregiver Support, Title III, Part E	93.052	
National Family Caregiver Support, Title III, Part E	93.052	
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052	
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052	
COVID-19 - National Family Caregiver Support, Title III, Part E - ARP	93.052	
Alzheimer's Disease Program Initiative	93.470	
Elder Abuse Prevention Interventions Program	93.747	
Medicare Enrollment Assistance Program	93.071	
Medicare Enrollment Assistance Program	93.071	
State Health Insurance Assistance Program	93.324	
State Health Insurance Assistance Program	93.324	
Total U.S. Department of Health and Human Services		
U.S. Department of Justice		
Crime Victim Assistance	16.575	
Crime Victim Assistance	16.575	
Total U.S. Department of Justice		
Small Business Administration		
Passed through Tennessee Technological University		
Small Business Development Centers	59.037	
Small Business Development Centers	59.037	
COVID-19 - Small Business Development Centers	59.037	
Total Small Business Administration		
Total Expenditures of Federal Awards		

<u>Beginning Accrued (Deferred)</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Accrued (Deferred)</u>	<u>Passed through to Subrecipients</u>	<u>Capital Advance</u>
7,781	66,726	62,982	4,037	-	-
-	546	32,057	31,511	-	-
2,673	5,250	2,577	-	-	-
4,284	4,284	-	-	-	-
75,866	75,866	-	-	-	-
-	21,917	26,300	4,383	-	-
-	229,610	255,174	25,564	218,223	-
38,232	73,305	35,073	-	-	-
84,816	106,429	41,250	19,637	-	-
-	-	13,462	13,462	-	-
(26,924)	5,749	29,189	(3,484)	-	-
-	-	8,135	8,135	-	-
12,802	40,068	27,266	-	-	-
-	24,418	36,208	11,790	-	-
21,576	76,352	54,776	-	-	-
-	-	21,231	21,231	-	-
<u>974,487</u>	<u>3,910,811</u>	<u>3,755,526</u>	<u>819,202</u>	<u>281,264</u>	<u>-</u>
33,025	33,025	-	-	-	-
-	61,303	74,629	13,326	-	-
<u>33,025</u>	<u>94,328</u>	<u>74,629</u>	<u>13,326</u>	<u>-</u>	<u>-</u>
13,564	91,983	78,419	-	-	-
-	41,536	66,929	25,393	-	-
<u>56,050</u>	<u>87,918</u>	<u>31,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>69,614</u>	<u>221,437</u>	<u>177,216</u>	<u>25,393</u>	<u>-</u>	<u>-</u>
<u>\$ 1,351,880</u>	<u>\$ 5,317,335</u>	<u>\$ 5,175,040</u>	<u>\$ 1,209,585</u>	<u>\$ 539,717</u>	<u>\$ 5,351,700</u>

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing No.	Contract No.
State Awards		
Tennessee Arts Commission	N/A	
Tennessee Arts Commission	N/A	
Total Tennessee Arts Commission		
Tennessee Commission on Aging and Disability		
State Caregiver	N/A	
Public Guardian	N/A	
Public Guardian	N/A	
Homemaker	N/A	
COVID-19 Homemaker - American Rescue Plan	N/A	
Senior Centers	N/A	
Senior Centers	N/A	
COVID-19 - Senior Centers - American Rescue Plan	N/A	
Nutrition	N/A	
COVID-19 - Nutrition - American Rescue Plan	N/A	
Options	N/A	
Options	N/A	
Total Tennessee Commission on Aging and Disability		
TennCare		
Waiver Administration	N/A	
Waiver Administration	N/A	
Total TennCare		
Tennessee Advisory Commission on Intergovernmental Relations (TACIR)		
Infrastructure Grant	N/A	
Infrastructure Grant	N/A	
Total TACIR		

Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
\$ 18,650	\$ 18,650	\$ -	\$ -	\$ 18,650	\$ -
-	14,652	26,640	11,988	-	-
<u>18,650</u>	<u>33,302</u>	<u>26,640</u>	<u>11,988</u>	<u>18,650</u>	<u>-</u>
-	31,200	31,200	-	31,200	-
74,230	74,230	-	-	-	-
-	179,829	257,900	78,071	-	-
-	18,427	18,427	-	18,427	-
-	4,973	4,973	-	-	-
31,798	31,798	-	-	-	-
-	92,672	92,672	-	92,672	-
-	2,178	33,428	31,250	-	-
-	34,650	34,650	-	34,650	-
-	9,350	-	(9,350)	-	-
141,005	141,005	-	-	-	-
-	557,441	653,185	95,744	-	-
<u>247,033</u>	<u>1,177,753</u>	<u>1,126,435</u>	<u>195,715</u>	<u>176,949</u>	<u>-</u>
105,675	105,675	-	-	5,000	-
-	230,868	333,076	102,208	-	-
<u>105,675</u>	<u>336,543</u>	<u>333,076</u>	<u>102,208</u>	<u>5,000</u>	<u>-</u>
59,629	59,629	-	-	-	-
-	59,629	59,629	-	-	-
<u>59,629</u>	<u>119,258</u>	<u>59,629</u>	<u>-</u>	<u>-</u>	<u>-</u>

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2022**

Grantor/Pass-Through Grantor	Federal Assistance Listing No.	Contract No.
State Awards (continued)		
Tennessee Department of Economic and Community Development Matching Funds Grant	N/A	
Tennessee Department of Children's Services Relative Caregiver Program	N/A	
Relative Caregiver Program	N/A	
Total Tennessee Department of Children's Services		
Tennessee Developmental Housing Agency Emergency Home Repair	N/A	
Emergency Home Repair	N/A	
Affordable Housing Program	N/A	
Affordable Housing Program	N/A	
Total Tennessee Developmental Housing Agency		
Total Expenditures of State Awards		
Total Expenditures of Federal and State Awards		

Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
-	230,000	230,000	-	-	-
42,295	42,295	-	-	-	-
-	173,034	247,660	74,626	-	-
42,295	215,329	247,660	74,626	-	-
36,765	67,565	30,800	-	-	-
-	363,103	423,022	59,919	363,103	-
9,522	9,522	-	-	-	-
-	-	7,170	7,170	-	-
46,287	440,190	460,992	67,089	363,103	-
519,569	2,552,375	2,484,432	451,626	563,702	-
<u>\$ 1,871,449</u>	<u>\$ 7,869,710</u>	<u>\$ 7,659,472</u>	<u>\$ 1,661,211</u>	<u>\$ 1,103,419</u>	<u>\$ 5,351,700</u>

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
JUNE 30, 2022**

(1) BASIS OF PRESENTATION

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(3) SUBRECIPIENTS

Of the federal and state expenditures presented in the schedule, the District provided federal and state awards of \$1,103,419 to subrecipients.



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

**To the Board of Directors of
Upper Cumberland Development District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate discretely presented component units information of Upper Cumberland Development District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

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

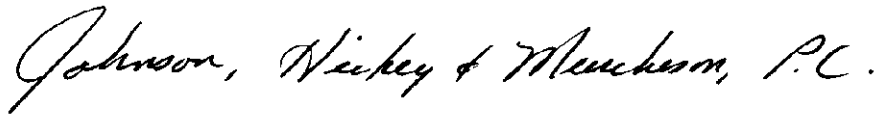
2215 Olan Mills Drive	jhmcpa.com	37421	423 756 0052 t
Chattanooga, Tennessee	44		423 267 5945 f

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 21, 2022
Chattanooga, Tennessee



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

**To the Board of Directors of
Upper Cumberland Development District**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Upper Cumberland Development District'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 District's major federal programs for the year ended June 30, 2022. The District'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 Development District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis of 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 of America; and 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 District and to meet our other ethical requirements, 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 District'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 the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

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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 District'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 District'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 District'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 District'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 District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Johnson, Niskey & Meucham, P.C.

December 21, 2022
Chattanooga, Tennessee

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

A. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Upper Cumberland Development District were prepared in accordance with GAAP.
2. No significant deficiencies were reported and no material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Upper Cumberland Development District were disclosed by the audit.
4. No significant deficiencies were reported and no material weaknesses were identified during the audit of the major federal award program.
5. The auditors' report on the major federal awards program for Upper Cumberland Development District 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:
 - U.S. Department of Health and Human Services
 - Aging Cluster – Federal Assistance Listing No. 93.044, 93.045, 93.053.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Upper Cumberland Development District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Current Year Findings

None

Prior Year Findings

None

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

Current Year Findings

None

Prior Year Findings

None

