

**UPPER CUMBERLAND DEVELOPMENT
DISTRICT**

Cookeville, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2025

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

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, the major fund, and the aggregate remaining fund information of the Upper Cumberland Development District, as of and for the year ended June 30, 2025, 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, the aggregate discretely presented component units, the major fund, and the aggregate remaining fund information of the Upper Cumberland Development District, as of June 30, 2025, 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.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025, on our consideration of the 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.

A handwritten signature in black ink that reads "Johnson, Neely & Muncrom, P.C." The signature is fluid and cursive, with "Johnson" on the first line, "Neely & Muncrom" on the second line, and "P.C." on the third line to the right of the ampersand.

December 11, 2025
Chattanooga, Tennessee

**Upper Cumberland Development District
Management's Discussion and Analysis
Year Ended June 30, 2025**

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, 2025. 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 decreased \$662,595 during the fiscal year from a beginning balance of \$12,863,937 to \$12,201,342 at fiscal year-end.

	Total Primary Government	
	2025	2024
Current and other assets	\$14,716,023	\$14,424,982
Capital assets	<u>97,897</u>	<u>151,036</u>
 Total assets	 <u>14,813,920</u>	 <u>14,576,018</u>
 Current liabilities	 <u>2,452,487</u>	 <u>1,565,897</u>
Long-term liabilities	<u>68,273</u>	<u>135,553</u>
 Total liabilities	 <u>2,520,760</u>	 <u>1,701,450</u>
 Deferred inflows of resources	 <u>91,817</u>	 <u>10,631</u>

Net position		
Net investment in capital assets	29,624	15,483
Restricted for revolving and intermediate loan funds	9,495,724	9,079,698
Unrestricted	<u>2,675,994</u>	<u>3,768,756</u>
Total net position	<u>\$12,201,342</u>	<u>\$12,863,937</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	
	2025	2024
Program Revenues		
Charges for services	\$ 4,054,409	\$ 3,597,082
Operating grants and contributions	9,524,425	8,597,963
General revenues		
In-kind revenue	13,650	12,600
Other general revenues	1,300	9,000
Interest	<u>10,968</u>	<u>6,865</u>
Total revenues	13,604,752	12,223,510
Program expenses		
General government	<u>14,267,347</u>	<u>11,984,510</u>
Decrease (increase) in net position	<u>\$ (662,595)</u>	<u>\$ 239,000</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 \$13,460,250. Revenues exceeded expenditures by \$442,016. This was recorded to the fund balance as of June 30, 2025.

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 \$13,460,250 an increase of \$442,016 from the previous year of \$13,018,234.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Beginning balance was \$151,036, less current year depreciation of \$53,139, resulted in an ending balance of \$97,897. Additional information on the District's capital assets can be found in Note (4) on pages 18-19 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 20-23.

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.

The unemployment rate is still considered to be an important economic indicator. The unemployment rate in April, 2021 was 15.9% versus 3.7% in August of 2025. These rates were significantly higher in earlier months but were in line with state and national rates. Since that time unemployment has varied significantly but the latest rate of 3.7% for the region is consistent with Tennessee and national rates. Economic activity measured by state sales tax collections has shown increases for the past 12 months. For the twelve months ending in September, 2025, the area's collections were 3.3% higher than the 12 months ending September, 2024, while single month increase for September to September was 3.2% for the region compared to 2.8% for Tennessee as a whole.

Bank deposit growth continues to exceed state and national rates.

Census data show population growth for the region is now higher than state and national rates 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 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.

At the state level, the Upper Cumberland Development District already has contracts in place for Fiscal Year 25-26 from TDOT for Rural Planning Organization Coordination, TACIR, THDA's Emergency Home Repair Program, DCS (Relative Caregiving Program), and AAAD funding as well as others. The funding from the State of Tennessee remains stable and consistent with prior fiscal years. The executive board of directors also approved a step increase of \$0.05 per capita for annual dues which will provide an additional matching funds for state and federal grants.

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, 2025**

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

Jeff Mason, Smith County	Chairman
Allen Foster, Cumberland County	Vice Chairman
Jimmy Johnson, Fentress County	Secretary
Randy Porter, Putnam County	Treasurer
Greg Mitchell, Cannon County	Martye Jean Harris, Cannon County
Stan Hollandswoth, Cannon County	Greg Goff, Cannon County
Dale Reagan, Clay County	Luke Collins, Clay County
Doug Young, Clay County	R.J. Crawford, Cumberland County
Emmett Sherrill, Cumberland County	Ethan Hadley, Cumberland County
Don Dowdey, Cumberland County	Josh Miller, Dekalb County
Matt Adcock, Dekalb County	Greg Fish, Dekalb County
Jeff Ford, Dekalb County	Suzanne Williams, Dekalb County
Audrey Martin, Dekalb County	Harvey Stowers, Fentress County
Jacob Rosenbaum, Fentress County	Lloyd Williams, Jackson County
Yvonne Gernt, Fentress County	Jim Morgan, Jackson County
Hope Vargas, Jackson County	Kenneth Hollis, Macon County
Steve Jones, Macon County	Tony Day, Macon County
Richard Thomas, Macon County	Steven Barlow, Overton County
Lori Burnett, Overton County	Zack Stephens, Overton County
Stephen Bilbrey, Pickett County	Sam Gibson, Pickett County
Bruce Elder, Pickett County	Danny Holmes, Putnam County
Lisa Chapman-Fowler, Putnam County	Alex Garcia, Putnam County
Laurin Wheaton, Putnam County	Amy New, Putnam County
Stephen Babcock, Smith County	Joey Nixon, Smith County
John Potts, Smith County	Patrick Geho, Smith County
David Sullivan, Van Buren County	Alisa Farmer, Van Buren County
John Handkins, Warren County	Terry Bell, Warren County
Ryle Chastain, Warren County	Sue Anderson, Warren County
Trent Prater, Warren County	Wendy Sneed, Warren County
Jerry Lowery, White County	Ray Spivey, White County
Roger McCann, White County	Denny Wayne Robinson, White County
Senator Paul Bailey	Representative Cameron Sexton
Representative Alejandra Conohan	

UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Total		
	Governmental		Component
	Activities		Units
ASSETS			
Cash and cash equivalents			
Available	\$ 2,107,809	\$ 104,480	
Restricted	1,371,250		1,932,426
Certificates of deposit			
Available	77,939		-
Restricted	165,000		-
Accounts and other receivables	804,156		363,575
Due from other governments	228,984		-
Grants receivable	1,751,186		-
Prepays and other assets	85,225		21,938
Lease receivables	-		357,795
Loans receivable, net of allowance	8,124,474		1,076,810
Land	-		826,766
Other capital assets, net of accumulated depreciation	97,897		7,306,334
 Total assets	 \$ 14,813,920	 \$ 11,990,124	
LIABILITIES			
Line of credit	\$ -	\$ 165,000	
Accounts payable and accrued expenditures	1,143,850		783,822
Due to other governments	20,106		-
Security deposit liability	-		36,032
Compensated absences	1,288,532		-
Deferred revenue	-		20,115
Long-term liabilities			
Due within one year	47,686		246,415
Due in more than one year	20,587		4,241,647
 Total liabilities	 \$ 2,520,761	 \$ 5,493,031	
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from leases	\$ -	\$ 337,137	
Unearned grantor revenue	91,817		-
 Total deferred inflows of resources	 \$ 91,817	 \$ 337,137	

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

	Total Governmental Activities	Component Units
NET POSITION		
Net investment in capital assets	\$ 29,624	\$ 4,473,426
Restricted		
Restricted for revolving and intermediary loan funds	9,495,724	1,903,407
Contractually restricted deposits	-	58,962
Unrestricted	<u>2,675,994</u>	<u>(275,839)</u>
Total net position	<u><u>\$ 12,201,342</u></u>	<u><u>\$ 6,159,956</u></u>

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

UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants and Contributions	Total	Component Units
				Governmental Activities (Net)	
Primary Government					
UCDD operations	\$ 14,267,347	\$ 4,054,409	\$ 9,524,425	\$ (688,513)	\$ -
Component Units					
CAIC operations	81,001	194,877	-	-	113,876
CRDC operations	1,545,294	1,108,135	195,417	-	(241,742)
Total component units	\$ 1,626,295	\$ 1,303,012	\$ 195,417	-	(127,866)
GENERAL REVENUES					
In-kind revenue				13,650	-
Loss from the disposal of capital assets				-	12,521
Other				1,300	30,485
Interest				10,968	(11,727)
Total general revenues				25,918	31,279
Change in net position				(662,595)	(96,587)
NET POSITION					
Beginning				12,863,937	6,256,543
Ending				\$ 12,201,342	\$ 6,159,956

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

UPPER CUMBERLAND DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	Total
	Governmental
	Funds
<u>ASSETS</u>	
Cash and cash equivalents	
Available	\$ 2,107,809
Restricted	1,371,250
Certificates of deposit	
Available	77,939
Restricted	165,000
Accounts receivable	804,156
Due from other governments	228,984
Grants receivable	1,751,186
Prepays and other assets	85,225
Loans receivable, net of allowance	<u>8,124,474</u>
 Total assets	 <u>\$ 14,716,023</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES

Liabilities	
Accounts payable	\$ 740,286
Accrued expenditures	403,564
Due to other governments	<u>20,106</u>
 Total liabilities	 <u>1,163,956</u>
 Deferred inflows of resources	
Unearned grantor revenue	<u>91,817</u>
 Fund balances	
Unassigned	3,964,526
Restricted for revolving loan funds	<u>9,495,724</u>
 Total fund balances	 <u>13,460,250</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 14,716,023</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, 2025**

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

Fund balances – total governmental funds	\$13,460,250
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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.	97,897
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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.	<u>(1,356,805)</u>
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\$12,201,342

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2025**

	Total Governmental Funds
REVENUES	
Grantor contributions	\$ 9,524,425
Administration and cost pool agreement	1,987,550
Revenue from projects	1,334,444
Revenue from dues	321,261
Program income	52,072
Interest from revolving loans	359,082
In-kind revenue	13,650
Interest	10,968
Other revenue	<u>1,300</u>
	<u>13,604,752</u>
EXPENDITURES	
Salaries	4,259,527
Fringe benefits	1,473,250
Professional fees	329,413
Travel	191,268
Communications	97,618
Financial assistance	240,268
Contracted services	823,359
Supplies	180,258
Payments to subcontractors	3,993,532
In-kind expenses	13,650
Occupancy	510,147
Indirect costs - administrative	622,489
Miscellaneous	354,937
Debt service	
Principal	67,280
Interest	<u>5,740</u>
	<u>13,162,736</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>442,016</u>
NET CHANGE IN FUND BALANCE	442,016
FUND BALANCE	
Beginning	<u>13,018,234</u>
Ending	<u>\$ 13,460,250</u>

(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, 2025**

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

Net change in fund balances – total governmental funds \$ 442,016

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

Depreciation expense on governmental capital assets are included in the statement of activities. (53,139)

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. 67,280

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. (1,118,752)

\$ (662,595)

(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, 2025**

ASSETS

Cash and cash equivalents	\$ <u>990,674</u>
Total assets	\$ <u>990,674</u>

LIABILITIES AND NET POSITION

Net position held in trust	\$ <u>990,674</u>
Total liabilities and net position	\$ <u>990,674</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, 2025**

ADDITIONS

Retirement benefits	\$ 755,730
Dividends and interest	15,486
Transfers	<u>87,661</u>
Total additions	<u>858,877</u>

DEDUCTIONS

Client expenses	1,017,201
Professional and legal	80,796
Conservator fees	11,634
Taxes	849
Estates	<u>537,852</u>
Total deductions	<u>1,648,332</u>

DECREASE IN NET POSITION

(789,455)

NET POSITION

Beginning	<u>1,780,129</u>
Ending	<u>\$ 990,674</u>

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

UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2025

	Cumberland Area	Cumberland Regional	
	Investment Corporation	Development Corporation	Total
ASSETS			
Cash and cash equivalents			
Available	\$ 55,828	\$ 48,652	\$ 104,480
Restricted	1,843,242	89,184	1,932,426
Accounts and other receivables	910	362,665	363,575
Prepaid expenses	-	21,938	21,938
Lease receivables	357,795	-	357,795
Loans receivable, net of allowance	1,076,810	-	1,076,810
Land and other nondepreciable assets	-	826,766	826,766
Capital assets, net of accumulated depreciation	<u>597,557</u>	<u>6,708,777</u>	<u>7,306,334</u>
 Total assets	 <u>\$ 3,932,142</u>	 <u>\$ 8,057,982</u>	 <u>\$ 11,990,124</u>
LIABILITIES			
Line of credit	\$ -	\$ 165,000	\$ 165,000
Accounts payable and accrued expenditures	8,335	775,487	783,822
Security deposit liability	5,810	30,222	36,032
Deferred revenue	15,802	4,313	20,115
Notes payable			
Due within one year	88,405	158,010	246,415
Due in more than one year	<u>942,334</u>	<u>3,299,313</u>	<u>4,241,647</u>
 Total liabilities	 <u>\$ 1,060,686</u>	 <u>\$ 4,432,345</u>	 <u>\$ 5,493,031</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from leases	<u>\$ 337,137</u>	<u>\$ -</u>	<u>\$ 337,137</u>
NET POSITION			
Net investment in capital assets	\$ 395,206	\$ 4,078,220	\$ 4,473,426
Restricted for			
Intermediary relending loan funds	1,903,407	-	1,903,407
Contractually restricted deposits	-	58,962	58,962
Unrestricted	<u>235,706</u>	<u>(511,545)</u>	<u>(275,839)</u>
 Total net position	 <u>\$ 2,534,319</u>	 <u>\$ 3,625,637</u>	 <u>\$ 6,159,956</u>

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

UPPER CUMBERLAND DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Cumberland Area Investment Corporation	Cumberland Regional Development Corporation	Total
Cumberland Area Investment Corporation						
CAIC operations	\$ 81,001	\$ 194,877	\$ -	\$ 113,876	\$ -	\$ 113,876
Cumberland Regional Development Corporation						
CRDC operations	1,545,294	1,108,135	195,417	-	(241,742)	(241,742)
Total component units	<u>\$ 1,626,295</u>	<u>\$ 1,303,012</u>	<u>\$ 195,417</u>	<u>113,876</u>	<u>(241,742)</u>	<u>(127,866)</u>
GENERAL REVENUES						
Interest				(11,727)	-	(11,727)
Gain on sale of capital assets				-	12,521	12,521
Other				-	30,485	30,485
Total general revenues				<u>(11,727)</u>	<u>43,006</u>	<u>31,279</u>
Change in net position				<u>102,149</u>	<u>(198,736)</u>	<u>(96,587)</u>
NET POSITION						
Beginning				<u>2,432,170</u>	<u>3,824,373</u>	<u>6,256,543</u>
Ending				<u>\$ 2,534,319</u>	<u>\$ 3,625,637</u>	<u>\$ 6,159,956</u>

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

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

(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 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, 2025**

(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, 2025**

(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, 2025**

(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, 2025**

(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.

Leasing activities

The District follows the provisions of GASB Statement No. 87, *Leases*. This standard enhances the relevance and consistency of information of the District's leasing activities. GASB 87 establishes requirements for lease accounting based on the principle that leases are long-term contracts that conveys 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.

Subscription-based information technology agreement

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

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

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.

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred outflows/inflows of resources (continued)

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period. As of June 30, 2025, the District did not have any deferred outflows of resources and had \$91,817 of deferred inflows of resources from unearned grantor revenue. CAIC had \$337,137 of deferred inflows of resources from leases as of June 30, 2025.

Change in accounting principal

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

(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, 2025, the District's cash and investments consist of the following:

Checking accounts	\$ 3,479,059
Certificates of deposit	<u>242,939</u>
<u><u>\$ 3,721,998</u></u>	

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.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(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, 2025, consisted of the following:

Governmental activities

Economic Development Administration loans	\$ 8,277,739
Less allowance for loan losses	<u>153,265</u>
	<u><u>\$ 8,124,474</u></u>

Component units

Farmers Home Administration loans	\$ 1,116,156
Rural Business Enterprise loans	30,655
Farm loans	<u>137,999</u>
	1,284,810
Less allowance for loan losses	<u>208,000</u>
	<u><u>\$ 1,076,810</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	\$ 539,415	\$ -	\$ -	\$ 539,415
Equipment, furniture and fixtures	<u>135,273</u>	<u>-</u>	<u>-</u>	<u>135,273</u>
	<u><u>\$ 674,688</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 674,688</u></u>
Less accumulated depreciation				
Vehicles	\$ 388,379	\$ 53,139	\$ -	\$ 441,518
Equipment, furniture and fixtures	<u>135,273</u>	<u>-</u>	<u>-</u>	<u>135,273</u>
	<u><u>523,652</u></u>	<u><u>53,139</u></u>	<u><u>-</u></u>	<u><u>576,791</u></u>
Depreciable capital assets, net	<u><u>\$ 151,036</u></u>	<u><u>\$ (53,139)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 97,897</u></u>

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

General government \$ 53,139

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(4) CAPITAL ASSETS (continued)

Component units

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

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions and reclassifications</u>	<u>Ending</u>
Non-depreciable capital assets				
Land	<u>\$ 840,766</u>	<u>\$ -</u>	<u>\$ (14,000)</u>	<u>\$ 826,766</u>
Total non-depreciable capital assets	<u>\$ 840,766</u>	<u>\$ -</u>	<u>\$ (14,000)</u>	<u>\$ 826,766</u>
Depreciable capital assets				
Building and improvements	<u>\$ 10,284,155</u>	<u>\$ -</u>	<u>\$ (58,697)</u>	<u>\$ 10,225,458</u>
Vehicles	<u>17,675</u>	<u>-</u>	<u>-</u>	<u>17,675</u>
Equipment, furniture and fixtures	<u>280,585</u>	<u>-</u>	<u>-</u>	<u>280,585</u>
	<u>10,582,415</u>	<u>-</u>	<u>(58,697)</u>	<u>10,523,718</u>
Less accumulated depreciation				
Building and improvements	<u>2,755,584</u>	<u>224,123</u>	<u>(20,905)</u>	<u>2,958,802</u>
Vehicles	<u>17,675</u>	<u>-</u>	<u>-</u>	<u>17,675</u>
Equipment, furniture and fixtures	<u>169,885</u>	<u>71,022</u>	<u>-</u>	<u>240,907</u>
	<u>2,943,144</u>	<u>295,145</u>	<u>(20,905)</u>	<u>3,217,384</u>
Depreciable capital assets, net	<u>\$ 7,639,271</u>	<u>\$ (295,145)</u>	<u>\$ (37,792)</u>	<u>\$ 7,306,334</u>
Depreciation expense for the component units totaled				<u>\$ 295,145</u>

On June 1, 2024, 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, 2026. The lease requires monthly installments of \$20,000.

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(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:

Financed purchase of vehicles with The Bancorp Bank, payable in monthly installments of \$4,176, including interest at 5.18% through October 2026, secured by vehicles \$ 68,273

Future maturities are as follows:

	Gross Payment	Interest	Principal
For the year ending:			
June 30, 2026	\$ 50,098	\$ 2,412	\$ 47,686
2027	<u>20,874</u>	<u>287</u>	<u>20,587</u>
	<u><u>\$ 70,972</u></u>	<u><u>\$ 2,699</u></u>	<u><u>\$ 68,273</u></u>

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

	Beginning Balance	Adjustments and Additions	Adjustments and Retirements	Ending Balance
Lease finance purchase	<u>\$ 135,553</u>	<u>\$ -</u>	<u>\$ (67,280)</u>	<u>\$ 68,273</u>

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 \$22,250, including interest at 1.0% due September 2038, secured by bank accounts \$ 415,489

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 412,898

Note to One Bank, payable in monthly installments of \$2,825, including interest at 4.75%, due July 2029, secured by building and improvements. 125,279

Note to One Bank, payable in monthly installments of \$1,552, including interest at 4.75%, due June 2030, secured by building and improvements. 77,073

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

(5) LONG-TERM DEBT (continued)

Component units (continued)

Mortgage payable to Wilson Bank & Trust at a calculated payment of \$10,895 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.

2,146,231

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.

867,725

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

90,492

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

327,401

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

67,409

Less unamortized deferred financing costs

4,529,997

41,935

\$ 4,488,062

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(5) LONG-TERM DEBT (continued)

Component units (continued)

Future maturities are as follows:

		Gross		
		Payment	Interest	Principal
Year ending June 30,	2026	\$ 348,392	\$ 101,977	\$ 246,415
	2027	348,391	95,234	253,157
	2028	348,383	88,222	260,161
	2029	348,384	80,926	267,458
	2030	310,556	74,329	236,227
	2031-2035	1,416,024	328,137	1,087,887
	2036-2040	1,290,309	215,239	1,075,070
	2041-2045	1,178,008	95,453	1,082,555
	2046-2047	<u>21,463</u>	<u>396</u>	<u>21,067</u>
		<u><u>\$ 5,609,910</u></u>	<u><u>\$ 1,079,913</u></u>	<u><u>\$ 4,529,997</u></u>

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

	Beginning	Adjustments	Adjustments	Ending
		and additions	and retirements	
Notes payable	<u>\$ 4,827,037</u>	<u>\$ -</u>	<u>\$ (297,040)</u>	<u><u>\$ 4,529,997</u></u>
Notes payable, net of deferred financing costs				
Due within one year				\$ 246,415
Due within more than one year				<u>4,283,582</u>
				<u><u>\$ 4,529,997</u></u>

Deferred financing costs as of June 30, 2025, are as follows:

Deferred financing costs	\$ 52,857
Less accumulated amortization	<u>10,922</u>
Deferred financing costs, net	<u><u>\$ 41,935</u></u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

(5) LONG-TERM DEBT (continued)

Component units (continued)

Amortization included in interest expense for the year ended June 30, 2025, was \$2,114. Estimated amortization expense for the next five fiscal years are as follows:

Year ending June 30, 2026	\$ 2,114
2027	2,114
2028	2,114
2029	2,114
2030	2,114
Thereafter	<u>31,365</u>
	 <u>\$ 41,935</u>

(6) LINE OF CREDIT

Component units

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 2026. The line is secured by UCDD CD's. As of June 30, 2025, there was an outstanding balance of \$165,000 on this line.

CRDC also had a line of credit with SmartBank. The line provided borrowings of up to \$300,000 including interest, and matured August 2024. As of June 30, 2025, there was no outstanding balance on this line, as the final payment of \$7,431 was made in August 2024 and the line was not renewed.

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>
First National Bank	\$ 188,000	\$ -	\$ (23,000)	\$ 165,000
Smartbank	<u>7,431</u>	<u>-</u>	<u>(7,431)</u>	<u>-</u>
	<u><u>\$ 195,431</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (30,431)</u></u>	<u><u>\$ 165,000</u></u>

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

(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, 2025, District contributions were \$376,851. 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, 2025. No provision has been made in the financial statements for the year ended June 30, 2025, 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, 2025

(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 \$1,288,532, 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.

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Compensated absences	\$ 169,780	\$ 1,118,752	\$ _____-	<u>\$ 1,288,532</u>

(11) 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. Upon expiration of the lease term on March 31, 2025, the arrangement converted to a month-to-month rental agreement.

On May 6, 2022, CAIC entered into a long-term rental agreement with Cedar Recovery of Middle Tennessee, LLC for the rental of 4,000 square feet of office space located at 1225 South Willow Avenue in Cookeville. The lease term is for 84 months requiring monthly installments of \$5,810 at 3.05% beginning June 1, 2023, and is subject to a 3% annual increase through May 31, 2030. The lease is not renewable and Cedar Recovery of Middle Tennessee, LLC will not acquire the office space at the end of the 60 months. As of June 30, 2025, lease receivable totaled \$357,795 from this lease.

For the year ended June 30, 2025, CAIC received lease revenue from the rental of office space of \$102,633 and interest revenue from leases of \$12,126. Future payment due to CAIC are as follows:

	<u>Total Receipts</u>	<u>Principal</u>	<u>Interest</u>
For the year ended June 30, 2026	\$ 74,151	\$ 64,124	\$ 10,027
2027	76,375	68,363	8,012
2028	78,667	72,801	5,866
2029	81,027	77,446	3,581
2030	<u>76,212</u>	<u>75,061</u>	<u>1,151</u>
	<u><u>\$ 386,432</u></u>	<u><u>\$ 357,795</u></u>	<u><u>\$ 28,637</u></u>

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

(12) 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 \$1,987,550 for the Agency as of June 30, 2025.

(13) SUBSEQUENT EVENTS

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

SUPPLEMENTAL INFORMATION

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF ADMINISTRATIVE COSTS
YEAR ENDED JUNE 30, 2025**

ADMINISTRATIVE COSTS

Salaries	\$ 374,131
Fringe benefits	107,456
Professional fees	11,797
Travel	16,413
Communications	49,843
Supplies	50,380
Occupancy	12,375
Miscellaneous	<u>94</u>
Total administrative costs	<u>\$ 622,489</u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF GENERAL AND LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2025

Year Ending June 30,	The Bankcorp Bank		Totals	
	Principal	Interest	Principal	Interest
2026	\$ 47,686	\$ 2,412	\$ 47,686	\$ 2,412
2027	<u>20,587</u>	<u>287</u>	<u>20,587</u>	<u>287</u>
	<u>\$ 68,273</u>	<u>\$ 2,699</u>	<u>\$ 68,273</u>	<u>\$ 2,699</u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF GENERAL AND LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2025

Cumberland Regional Development Corporation

Year Ending June 30,	Cumberland Regional Development Corporation											
	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	Principal	Interest
2026	\$ 11,427	\$ 3,838	\$ 23,865	\$ 3,165	\$ 4,914	\$ 652	\$ 88,625	\$ 42,114	\$ 29,179	\$ 34,032		
2027	11,952	3,313	24,105	2,925	4,963	602	90,415	40,325	30,361	32,849		
2028	12,502	2,764	24,347	2,683	5,013	552	92,231	38,500	31,592	31,618		
2029	13,076	2,190	24,592	2,438	5,063	502	94,094	36,638	32,872	30,338		
2030	13,677	1,589	24,839	2,191	5,114	451	95,993	34,527	33,517	29,611		
2031	14,305	636	25,088	1,942	5,166	400	97,929	30,341	27,308	34,921		
2032	13,553	68	25,340	1,690	5,217	348	99,912	28,513	28,705	33,524		
2033	-	-	25,595	1,435	5,270	295	101,931	26,647	30,174	32,055		
2034	-	-	25,852	1,178	5,323	243	103,986	24,744	31,717	30,512		
2035	-	-	26,112	918	5,376	189	106,079	22,803	33,340	28,889		
2036	-	-	26,374	656	5,430	135	108,229	20,822	35,046	27,183		
2037	-	-	26,639	391	10,560	25	110,406	18,801	36,839	25,390		
2038	-	-	24,653	112	-	-	112,641	16,740	38,723	23,505		
2039	-	-	-	-	-	-	114,913	14,637	40,705	21,524		
2040	-	-	-	-	-	-	117,233	12,491	42,787	19,442		
2041	-	-	-	-	-	-	119,601	10,302	44,976	17,253		
2042	-	-	-	-	-	-	122,016	8,069	47,277	14,952		
2043	-	-	-	-	-	-	124,469	5,791	49,696	12,533		
2044	-	-	-	-	-	-	126,980	3,467	52,239	9,990		
2045	-	-	-	-	-	-	118,548	1,098	170,672	6,814		
	<u>\$ 90,492</u>	<u>\$ 14,398</u>	<u>\$ 327,401</u>	<u>\$ 21,724</u>	<u>\$ 67,409</u>	<u>\$ 4,394</u>	<u>\$ 2,146,231</u>	<u>\$ 437,370</u>	<u>\$ 867,725</u>	<u>\$ 496,935</u>		

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF GENERAL AND LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2025

Cumberland Area Investment Corporation

Year Ending June 30,	Cumberland Area Investment Corporation									
	Farmers Home Intermediary Relending Program Loan #4		Farmers Home Intermediary Relending Program Loan #5		ONE BANK #1		ONE BANK #2			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2026	\$ 27,713	\$ 4,125	\$ 17,913	\$ 4,340	\$ 28,503	\$ 5,363	\$ 14,276	\$ 4,348		
2027	27,990	3,848	18,092	4,161	29,887	3,979	15,392	3,232		
2028	28,270	3,568	18,273	3,980	31,338	2,528	16,595	2,029		
2029	28,553	3,285	18,456	3,797	32,859	1,006	17,893	732		
2030	28,838	3,000	18,640	3,613	2,692	12	12,917	(665)		
2031	29,127	2,711	18,826	3,427	-	-	-	-		
2032	29,418	2,420	19,015	3,238	-	-	-	-		
2033	29,712	2,126	19,205	3,048	-	-	-	-		
2034	30,009	1,829	19,397	2,856	-	-	-	-		
2035	30,309	1,529	19,591	2,662	-	-	-	-		
2036	30,612	1,226	19,787	2,466	-	-	-	-		
2037	30,919	919	19,985	2,268	-	-	-	-		
2038	31,228	610	20,185	2,068	-	-	-	-		
2039	30,200	298	20,386	1,867	-	-	-	-		
2040	-	-	20,590	1,663	-	-	-	-		
2041	-	-	20,796	1,457	-	-	-	-		
2042	-	-	21,004	1,249	-	-	-	-		
2043	-	-	21,214	1,039	-	-	-	-		
2044	-	-	21,426	827	-	-	-	-		
2045	-	-	21,641	612	-	-	-	-		
2046	-	-	21,067	396	-	-	-	-		
	<u>\$ 412,898</u>	<u>\$ 31,494</u>	<u>\$ 415,489</u>	<u>\$ 51,034</u>	<u>\$ 125,279</u>	<u>\$ 12,888</u>	<u>\$ 77,073</u>	<u>\$ 9,676</u>		

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
YEAR ENDED JUNE 30, 2025

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid During Period	Outstanding June 30, 2025
<u>Primary Government</u>								
Governmental Activities								
<u>Lease Purchase Obligation</u>								
The Bancorp Bank	\$ 138,916	5.18%	November 30, 2023	October 2026	\$ 113,559	\$ -	\$ 45,286	\$ 68,273
Ford Motor Credit	<u>89,722</u>	6.35%	March 12, 2022	February 2025	<u>21,994</u>	<u>-</u>	<u>21,994</u>	<u>-</u>
	<u><u>\$ 228,638</u></u>				<u><u>\$ 135,553</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,280</u></u>	<u><u>\$ 68,273</u></u>
<u>Discretely Presented Component Units</u>								
Business-Type Activities								
Cumberland Area Investment Corporation								
<u>Notes Payable</u>								
Farmers Home Intermediary								
Relending Program Loan #3	\$ 992,500	1.00%	March 29, 1995	March 2025	\$ 29,830	\$ -	\$ 29,830	\$ -
Farmers Home Intermediary								
Relending Program Loan #4	750,000	1.00%	September 5, 2008	September 2038	451,979	-	36,490	415,489
Farmers Home Intermediary								
Relending Program Loan #5	466,406	1.00%	June 27, 2016	June 2043	440,369	-	27,471	412,898
One Bank #1	201,664	4.75%	July 29, 2022	July, 2029	153,030	-	27,751	125,279
One Bank #2	100,685	7.55%	June 1, 2023	June, 2030	89,273	-	12,200	77,073
Cumberland Regional Development Corporation								
<u>Notes Payable</u>								
Progressive Savings Bank	200,000	4.50%	April 17, 2017	July 2036	109,248	-	18,756	90,492
U.S.D.A. Loan # 1	627,284	1.00%	December 1, 2011	May 2038	351,027	-	23,626	327,401
U.S.D.A. Loan # 2	129,154	1.00%	December 1, 2011	May 2038	72,274	-	4,865	67,409
Wilson Bank & Trust Loan #1	2,570,400	2.00%	May 14, 2020	May 2045	2,233,101	-	86,870	2,146,231
Wilson Bank & Trust Loan #2	<u>1,000,000</u>	3.98%	May 14, 2020	May 2045	<u>896,906</u>	<u>-</u>	<u>29,181</u>	<u>867,725</u>
	<u><u>\$ 7,038,093</u></u>				<u><u>\$ 4,827,037</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 297,040</u></u>	<u><u>\$ 4,529,997</u></u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor	Assistance Listing No.	Contract No.	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
Federal Awards								
U.S. Department of Agriculture								
SNAP Cluster								
<i>Passed through Tennessee Department of Health and Human Services</i>								
Supplemental Nutrition Assistance Program	10.561		\$ 22,135	\$ 33,497	\$ 11,362	\$ -	\$ -	\$ -
Total SNAP Cluster			22,135	33,497	11,362	-	-	-
Total U.S. Department of Agriculture			22,135	33,497	11,362	-	-	-
U.S. Department of Commerce								
Economic Development Support for Planning Organizations	11.302		-	-	-	-	-	-
Economic Development Support for Planning Organizations	11.302		30,649	143,670	146,495	33,474	-	-
Economic Development Support for Planning Organizations	11.302		35,000	70,000	70,000	35,000	-	-
Total Program			65,649	213,670	216,495	68,474	-	-
Economic Development Cluster								
COVID-19 - RLF Economic Adjustment Assistance	11.307		-	-	-	-	-	5,477,552
Total Economic Development Cluster			-	-	-	-	-	5,477,552
Total U.S. Department of Commerce			65,649	213,670	216,495	68,474	-	5,477,552
U.S. Department of the Interior								
<i>Passed through State of Tennessee Department of Environment and Conservation</i>								
Historic Preservation Fund Grants-in-Aid	15.904		-	13,851	21,576	7,725	-	-
Historic Preservation Fund Grants-in-Aid	15.904		20,553	26,880	6,327	-	-	-
Total U.S. Dept. of the Interior			20,553	40,731	27,903	7,725	-	-

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor	Assistance Listing No.	Contract No.	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
Federal Awards								
U.S. Department of Justice								
<i>Passed through State of Tennessee Department of Health and Human Services</i>								
Crime Victim Assistance	16.575		13,765	13,765	-	-	-	-
Crime Victim Assistance	16.575		-	51,181	67,319	16,138	-	-
Total U.S. Dept. of Justice			13,765	64,946	67,319	16,138	-	-
U.S. Department of Transportation								
<i>Passed through Tennessee Department of Transportation</i>								
Rural Planning Organization Program								
Highway Planning and Construction	20.205		31,461	63,179	31,718	-	-	-
Highway Planning and Construction	20.205		-	64,395	95,924	31,529	-	-
Total U.S. Dept. of Transportation			31,461	127,574	127,642	31,529	-	-
Appalachian Regional Commission								
Appalachian Development Highway System - ARISE	23.003		56,275	143,886	104,908	17,297	104,908	-
Appalachian Development Highway System	23.003		17,302	51,784	49,496	15,014	-	-
Total Program			73,577	195,670	154,404	32,311	104,908	-
Appalachian Area Development - Administrative Expense Grant	23.002		-	-	81,341	81,341	-	-
Appalachian Area Development - Administrative Expense Grant	23.002		-	79,265	79,265	-	-	-
Total Program			-	79,265	160,606	81,341	-	-
Total Appalachian Regional Commission			73,577	274,935	315,010	113,652	104,908	-
Small Business Administration								
<i>Passed through Tennessee Technological University</i>								
Small Business Development Centers	59.037		-	41,130	74,181	33,051	-	-
Small Business Development Centers	59.037		45,365	136,268	90,903	-	-	-
Total Small Business Administration			45,365	177,398	165,084	33,051	-	-

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor	Assistance Listing No.	Contract No.	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
Federal Awards								
U.S. Department of Health and Human Services								
Aging Cluster								
<i>Passed through Tennessee Commission on Aging and Disability</i>								
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		-	665,569	803,541	137,972	-	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		161,494	297,939	136,445	-	-	-
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		229,972	283,013	53,041	-	-	-
Total Program			391,466	1,246,521	993,027	137,972	-	-
Special Programs for the Aging, Title III, Part C, Nurtition Services - Planning	93.045		-	158,167	193,200	35,033	-	-
Special Programs for the Aging, Title III, Part C, Nurtition Services - Planning	93.045		33,000	33,000	-	-	-	-
COVID-19 - Special Programs for the Aging, Title III, Part C, Nurtition Services - Planning	93.045		-	27,426	27,426	-	-	-
Special Programs for the Aging, Title III, Part C, Nurtition Services - Congregate	93.045		-	46,127	163,802	117,675	-	-
Special Programs for the Aging, Title III, Part C, Nurtition Services - Congregate	93.045		(6,257)	90,645	96,902	-	-	-
COVID-19 - Special Programs for the Aging, Title III, Part C, Nurtition Services - Congregate	93.045		-	307,290	307,290	-	-	-
Special Programs for the Aging, Title III, Part C, Nurtition Services - Home Delivered	93.045		-	289,624	371,196	81,572	-	-
Special Programs for the Aging, Title III, Part C, Nurtition Services - Home Delivered	93.045		161,193	161,193	-	-	-	-
COVID-19 - Special Programs for the Aging, Title III, Part C, Nurtition Services - Home Delivered	93.045		-	-	-	-	-	-
COVID-19 - Special Programs for the Aging, Title III, Part C, Nurtition Services - Home Delivered	93.045		22,851	281,845	258,994	-	-	-
Total Program			210,787	1,395,317	1,418,810	234,280	-	-
Nutrition Services Incentive Program	93.053		-	78,600	78,600	-	-	-
Nutrition Services Incentive Program	93.053		19,333	19,333	-	-	-	-
Total Program			19,333	97,933	78,600	-	-	-
Total Aging Cluster			621,586	2,739,771	2,490,437	372,252	-	-

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor	Assistance Listing No.	Contract No.	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
Federal Awards								
Medicaid Cluster								
<i>Passed through Tennessee Department of Finance and Administration</i>								
<i>Bureau of TennCare</i>								
Medical Assistance Program	93.778		-	297,462	383,742	86,280	5,000	-
Medical Assistance Program	93.778		129,606	129,606	-	-	-	-
Total Medicaid Cluster			129,606	427,068	383,742	86,280	5,000	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		-	4,000	4,800	800	800	-
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		820	820	-	-	-	-
Total Program			820	4,820	4,800	800	800	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
Special Programs for the Aging, Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individual	93.042		-	26,580	31,800	5,220	5,220	-
Special Programs for the Aging, Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individual	93.042		7,020	7,020	-	-	-	-
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individual	93.042		-	-	-	-	-	-
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individual	93.042		812	5,640	4,828	-	-	-
Total Program			7,832	39,240	36,628	5,220	5,220	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Service	93.043		-	13,689	17,536	3,847	-	-
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Service	93.043		22,068	31,351	14,283	5,000	-	-
COVID-19 - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Service	93.043		2,901	33,427	31,267	741	-	-
Total Program			24,969	78,467	63,086	9,588	-	-

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor	Assistance Listing No.	Contract No.	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
Federal Awards								
<i>Direct Funding</i>								
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		88,576	227,364	138,788	-	-	-
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		31,246	414,255	547,134	164,125	358,348	-
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		-	40,708	40,708	-	21,194	-
Total Program			<u>119,822</u>	<u>682,327</u>	<u>726,630</u>	<u>164,125</u>	<u>379,542</u>	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
National Family Caregiver Support, Title III, Part E - Planning	93.052		-	21,583	25,900	4,317	-	-
National Family Caregiver Support, Title III, Part E - Planning	93.052		3,500	3,500	-	-	-	-
National Family Caregiver Support, Title III, Part E	93.052		-	170,437	232,881	62,444	-	-
National Family Caregiver Support, Title III, Part E	93.052		35,099	169,970	134,871	-	-	-
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052		3,714	168,125	164,411	-	-	-
Total Program			<u>42,313</u>	<u>533,615</u>	<u>558,063</u>	<u>66,761</u>	<u>-</u>	-
<i>Passed through Upper Cumberland Human Resource Agency</i>								
Temporary Assistance for Needy Families	93.558		<u>18,333</u>	<u>259,868</u>	<u>279,170</u>	<u>37,635</u>	<u>-</u>	-
Total Program			<u>18,333</u>	<u>259,868</u>	<u>279,170</u>	<u>37,635</u>	<u>-</u>	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
Alzheimer's Disease Program Initiative (ADPI)	93.470		-	38,413	52,781	14,368	-	-
Total Program			-	<u>38,413</u>	<u>52,781</u>	<u>14,368</u>	<u>-</u>	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
COVID-19 - Elder Abuse Prevention Interventions Program	93.747		<u>14,147</u>	<u>184,656</u>	<u>203,369</u>	<u>32,860</u>	<u>-</u>	-
Total Program			<u>14,147</u>	<u>184,656</u>	<u>203,369</u>	<u>32,860</u>	<u>-</u>	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
Medicare Enrollment Assistance Program	93.071		-	37,644	52,789	15,145	-	-
Medicare Enrollment Assistance Program	93.071		<u>10,277</u>	<u>24,939</u>	<u>14,662</u>	<u>-</u>	<u>-</u>	-
Total Program			<u>10,277</u>	<u>62,583</u>	<u>67,451</u>	<u>15,145</u>	<u>-</u>	-
<i>Passed through Tennessee Commission on Aging and Disability</i>								
State Health Insurance Assistance Program	93.324		-	3,863	20,238	16,375	-	-
State Health Insurance Assistance Program	93.324		<u>16,165</u>	<u>78,133</u>	<u>61,968</u>	<u>-</u>	<u>-</u>	-
Total Program			<u>16,165</u>	<u>81,996</u>	<u>82,206</u>	<u>16,375</u>	<u>-</u>	-
Total U.S. Department of Health and Human Services			<u>1,005,870</u>	<u>5,132,824</u>	<u>4,948,363</u>	<u>821,409</u>	<u>390,562</u>	-
Total Expenditures of Federal Awards			<u>1,278,375</u>	<u>6,065,575</u>	<u>5,879,178</u>	<u>1,091,978</u>	<u>495,470</u>	<u>5,477,552</u>

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor	Assistance Listing No.	Contract No.	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
State Financial Assistance								
Tennessee Arts Commission	N/A		16,166	16,166	-	-	-	-
Tennessee Arts Commission	N/A		-	20,070	34,280	14,210	28,800	-
Total Tennessee Arts Commission			16,166	36,236	34,280	14,210	28,800	-
Tennessee Commission on Aging and Disability								
State Caregiver	N/A		-	30,200	30,200	-	-	-
Public Guardian	N/A		-	232,749	298,833	66,084	-	-
Public Guardian	N/A		52,966	52,966	-	-	-	-
Homemaker	N/A		-	22,700	22,700	-	-	-
Homemaker - ARP	N/A		-	-	-	-	-	-
Senior Centers	N/A		-	93,300	124,400	31,100	31,100	-
Senior Centers	N/A		22,091	22,091	-	-	-	-
Homemaker - ARP	N/A		8,379	8,379	-	-	-	-
Nutrition	N/A		-	42,700	42,700	-	-	-
Options	N/A		-	458,463	670,292	211,829	-	-
Options	N/A		172,927	172,927	-	-	-	-
Options 2.0	N/A		-	540,885	576,899	36,014	-	-
Options 2.0	N/A		120,574	120,574	-	-	-	-
Alzheimer's Dementia Respite	N/A		34,086	34,086	-	-	-	-
Alzheimer's Dementia Respite	N/A		-	150,190	200,149	49,959	-	-
Total Tennessee Commission on Aging and Disability			411,023	1,982,210	1,966,173	394,986	31,100	-
TennCare								
Waiver Administration	N/A		129,605	129,605	-	-	-	-
Waiver Administration	N/A		-	297,462	383,742	86,280	5,000	-
Total TennCare			129,605	427,067	383,742	86,280	5,000	-
Tennessee Department of Environment and Conservation								
Solid Waste management	N/A		88,196	88,196	-	-	-	-
Solid Waste management	N/A		-	20,065	81,471	61,406	-	-
Total Tennessee Department of Environment and Conservation			88,196	108,261	81,471	61,406	-	-

UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor	Assistance Listing No.	Contract No.	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)	Passed through to Subrecipients	Capital Advance
State Financial Assistance								
Tennessee Advisory Commission on Intergovernmental Relations (TACIR)								
Infrastructure Grant	N/A		17,889	17,889	-	-	-	-
Infrastructure Grant	N/A		-	36,075	65,592	29,517	-	-
Total TACIR			17,889	53,964	65,592	29,517	-	-
Tennessee Department of Economic and Community Development (TDECD)								
Matching Funds Grant	N/A		-	230,000	230,000	-	-	-
Total TDECD			-	230,000	230,000	-	-	-
Tennessee Department of Children's Services								
Relative Caregiver Program	N/A		-	422,191	494,999	72,808	-	-
Relative Caregiver Program	N/A		143,749	143,749	-	-	-	-
Total Tennessee Department of Children's Services			143,749	565,940	494,999	72,808	-	-
Tennessee Developmental Housing Agency								
Emergency Home Repair	N/A		8,144	8,144	-	-	-	-
Emergency Home Repair	N/A		-	340,315	340,315	-	-	-
Affordable Housing Program	N/A		-	20,000	20,000	-	-	-
Total Tennessee Developmental Housing Agency			8,144	368,459	360,315	-	-	-
Total Expenditures of State Financial Assistance			814,772	3,772,137	3,616,572	659,207	64,900	-
Total Expenditures of Federal Awards and State Financial Assistance	\$ 2,093,147	\$ 9,837,712	\$ 9,495,750	\$ 1,751,185	\$ 560,370	\$ 5,477,552		

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
JUNE 30, 2025**

(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 \$560,370 to subrecipients.

(4) EDA REVOLVING LOAN FUND

The Economic Development Administration Revolving Loan Fund presented as a loan program in the Schedule of Expenditures of Federal Awards for the year ending June 30, 2025, is calculated as follows:

Outstanding principal on RLF loans as of June 30, 2025	\$ 4,031,064
RLF cash and investments as of June 30, 2025	1,357,165
Administrative expenses paid using RLF income during 2025	<u>89,323</u>
Total	5,477,552
Multiplied by the Federal participation rate	<u>100%</u>
Economic Development Administration Revolving Loan Funds	<u>\$ 5,477,552</u>

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

**To the Board of Directors of the
Upper Cumberland 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 of the Upper Cumberland Development District as of and for the year ended June 30, 2025, 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 11, 2025.

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.

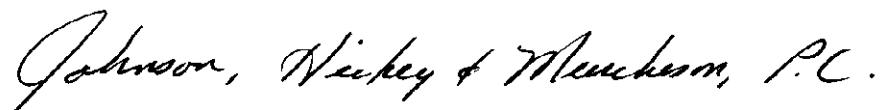
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Johnson, Neely & Meekham, P.C." The signature is fluid and cursive, with "Johnson" on the first line, "Neely" on the second line, and "& Meekham, P.C." on the third line.

December 11, 2025
Chattanooga, Tennessee

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

**To the Board of Directors of the
Upper Cumberland 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, 2025. 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the 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 laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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.

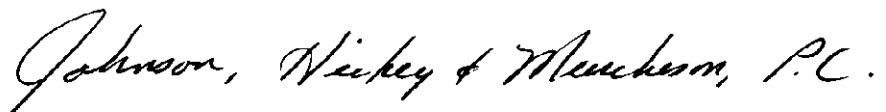
Report on Internal Control Over Compliance

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson, Neely & Maukson, P.C." The signature is fluid and cursive, with "Johnson" at the top, "Neely" in the middle, and "Maukson, P.C." at the bottom.

December 11, 2025
Chattanooga, Tennessee

**UPPER CUMBERLAND DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

A. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of 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 program tested as a major program was:
U.S. Department of Health and Human Services
Aging Cluster – 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

