

EAST TENNESSEE DEVELOPMENT DISTRICT
Financial Statements and Supplementary Information
Year Ended June 30, 2025

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Financial Statements and Supplementary Information
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EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Directors and Officials
Year Ended June 30, 2025

Board of Directors

Officers

Chairman: Brian Langley, Morgan County Executive
Vice-Chairman: Glenn Jacobs, Knox County Mayor
Secretary: Rob Mathis, Cocke County Mayor
Treasurer: Mitch Ingram, Monroe County Mayor

Executive Committee Members

Terry Frank, Anderson County Mayor
Ed Mitchell, Blount County Mayor
Jack Lynch, Campbell County Mayor
Joe Brooks, Claiborne County Mayor
Neal Pucciarelli, Cumberland Gap Mayor
Rob Mathis, Cocke County Mayor
Roland "Trey" Dykes, III, City of Newport Mayor
Mike Byrd, Grainger County Mayor
Chris Cutshaw, Hamblen County Mayor
Mark Potts, Jefferson County Mayor
Glenn Jacobs, Knox County Mayor
Ron Williams, City of Farragut Mayor
Rollen "Buddy" Bradshaw, Loudon County Mayor
Mitch Ingram, Monroe County Mayor
Brian Langley, Morgan County Executive
Wade Creswell, Roane County Executive
Jerried Jeffers, Scott County Mayor
Larry Waters, Sevier County Mayor
Jason Bailey, Union County Mayor

Tennessee General Assembly

Senator Richard Briggs
Representative Elaine Davis

Minority Members-at-Large

Dr. Dasha Lundy
Terrence Carter

EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Directors and Officials (Continued)

Other Members of the Board of Directors

Anderson County

Mr. Andy Wallace
Mayor Scott Burton
Mayor Kerry Templin
Mayor Chris Mitchell
Mayor Warren Gooch

Blount County

Mr. Bryan Daniels
Mayor Tanya Martin
Mayor Andy White
Mayor Steven Cardwell
Mayor Jill Pugh
Mayor Carl Koella
Mayor Don Prater

Campbell County

Mayor David Chambers
Mayor Shayne Green
Mayor Sandy Terry
Mayor Scott "Scotty" Kitts
Mr. Randy Brown

Claiborne County

Mayor Troy Poore
Mayor Stanley Leonard
Mayor Bill Fannon

Cocke County

Mayor Roland "Trey" Dykes
Mayor Gayla Ann Hommel
Mr. George Barton

Grainger County

Mr. David Lietzke
Mayor Marvin Braden
Mayor Fred Sykes
Mayor Ben Waller

Hamblen County

Mr. Marshall Ramsey
Mayor Gary Chesney

Jefferson County

Mayor Mark Plonski
Mayor Mike Chambers
Mayor Mitch Cain
Mayor Danny Whillock
Mr. Joe Gibson
Mayor Glen E. Warren, Jr.

Knox County

Ms. Jane Jolley
Mayor Indya Kincannon

Loudon County

Mayor Dewayne Birchfield
Mayor Tony Aikens
Mayor Jeff Harris
Mayor Damian Crawford
Mr. Jack Qualls

Monroe County

Mr. Stacy Chambers
Mayor Doyle Lowe
Mayor Scott Hunt
Mayor Marilyn Parker
Mayor John Hammontree

Morgan County

Mayor Buddy Miller
Mayor Phil Vespie
Mayor Karen Melton
Ms. Sharon Heidel

Roane County

Mayor Wayne Best
Mayor Jason Stiltner
Mayor Jason Jolly
Mayor Tim Neal
Mr. Justin Snow

Scott County

Mayor Dennis Jeffers
Mayor Lori Phillips-Jones
Mayor Jerry Dodson
Mr. Anthony Newport

EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Directors and Officials (Continued)

Other Members of the Board of Directors (Continued)

Sevier County

Mayor Mike Werner
Mayor David Wear
Mayor Jerry Huskey
Mayor Robert Fox
Ms. Earlene Teaster

Union County

Mayor Jerry Lawson
Mayor Ty Blakely
Mayor Lynn Beeler
Mr. Randy Turner



Independent Auditors' Report

To the Board of Directors
East Tennessee Development District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the East Tennessee Development District (the "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 and each major fund of the District as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 and required supplementary schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

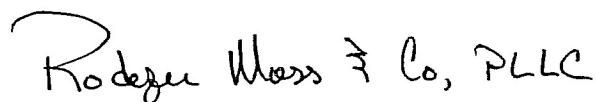
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of directors and officials, 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 2, 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 "Roderer Moss & Co, PLLC". The signature is written in a cursive, professional style.

Knoxville, Tennessee
December 2, 2025

EAST TENNESSEE DEVELOPMENT DISTRICT
Management's Discussion & Analysis
June 30, 2025

Within this section of the East Tennessee Development District's (the "District") financial report, management provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets exceed its liabilities by \$5,167,904 ("net position") for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$5,029,360.
- Net position consists of the following:
 - 1) Capital assets, net of accumulated depreciation, of \$1,052,751.
 - 2) Net position amounting to \$1,348,765, \$788,743, and \$207,265 is restricted for use in the Economic Development Agency Revolving Loan Fund Program ("EDA RLF"), the Economic Development Agency Revolving Loan Fund Program for Covid ("RLF Covid"), and the State of Tennessee Department of Agriculture Revolving Loan Fund Program ("RLF Agriculture"), respectively.
 - 3) Unrestricted net position of \$2,473,677 represent the portion available to maintain the District's continuing obligations to local governments, grantors, and creditors.
- The District's governmental funds reported a total ending fund balance of \$4,818,450 for the year ended June 30, 2025. This compares to the prior year fund balance of \$4,667,589. Of these amounts, \$2,344,773 and \$2,338,017 were reserved for the EDA RLF Program, RLF Covid Program, and the RLF Agriculture Program for the years ended June 30, 2025 and June 30, 2024, respectively.
- Total liabilities of the District's governmental funds at year end decreased from \$636,064 to \$509,442. Of the total liabilities, \$343,429 consists of an inner-district liability of the Grants Management Fund payable to the General Fund for the fiscal year ended June 30, 2025.

Overview of Financial Statements

Management's Discussion and Analysis introduce 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 District's annual report includes two government-wide financial statements. These statements both provide long-term and short-term information about the District's status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

EAST TENNESSEE DEVELOPMENT DISTRICT
Management's Discussion & Analysis (Continued)

Overview of Financial Statements (Continued)

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

Both government-wide financial statements are designed to distinguish between governmental activities supported mostly by grants and assessments and business-type activities. However, all of the District's activities fall within the governmental activities category.

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information including the *Schedule of Expenditures of Federal Awards*, *Schedule of Expenditure of State Awards*, and the *Schedule of Directors and Officials*.

Financial Analysis of the District as a Whole

The District implemented the new financial reporting model used in this report beginning with fiscal year ended June 30, 2002. 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.

EAST TENNESSEE DEVELOPMENT DISTRICT
Management's Discussion & Analysis (Continued)

Financial Analysis of the District as a Whole (Continued)

The District's net position increased \$138,544 during the fiscal year from a beginning balance of \$5,029,360 to \$5,167,904 at fiscal yearend.

At this time, both state and federal grant programs appear to be stable. The rural transportation program will continue to be funded with a 10% match from the District. Grant administration services to participating cities and counties within our region remain stable as well with multiple new projects that have been approved for funding in addition to the projects we were providing administrative services for as of June 30, 2025. The District continues cost control efforts as reflected in our financial statements.

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 3,282,715	\$ 3,194,490
Restricted assets	1,701,748	1,713,008
Capital assets	<u>1,052,751</u>	<u>1,087,035</u>
Total assets	<u>\$ 6,037,214</u>	<u>\$ 5,994,533</u>
Current liabilities	\$ 188,861	\$ 261,876
Long-term liabilities	<u>680,449</u>	<u>703,297</u>
Total liabilities	<u>\$ 869,310</u>	<u>\$ 965,173</u>
 Net Position		
Net investment in capital assets	\$ 349,454	\$ 361,771
Restricted for revolving loan fund	1,348,765	1,340,415
Restricted for Revolving Loan Fund - Covid	788,743	790,576
Restricted for Revolving Loan Fund - Agriculture	207,265	207,026
Unrestricted	<u>2,473,677</u>	<u>2,329,572</u>
Total net position	<u>\$ 5,167,904</u>	<u>\$ 5,029,360</u>

The Summary of Net Position table shows an increase in total net position in the current year over the previous year of \$138,544. A significant factor for this increase in net position can be attributed in part to the District's increase in charges for services.

EAST TENNESSEE DEVELOPMENT DISTRICT
Management's Discussion & Analysis (Continued)

Financial Analysis of the District as a Whole (Continued)

The comparative data provided below is a summary of changes in net position for the current and previous fiscal years:

	<u>2025</u>	<u>% of Total</u>	<u>2024</u>	<u>% of Total</u>
Revenues				
Programs revenues:				
Charges for services	\$ 1,242,784	32.5%	\$ 1,042,211	28.3%
Operating grants	2,467,657	64.6%	2,506,649	68.4%
General revenues:				
Interest earned	<u>110,215</u>	<u>2.9%</u>	<u>117,375</u>	<u>3.2%</u>
Total revenues	<u>\$ 3,820,656</u>	<u>100.0%</u>	<u>\$ 3,666,235</u>	<u>100.0%</u>
Expenses				
General government	\$ 2,223,701	60.4%	\$ 2,172,361	59.6%
Public services	<u>1,458,411</u>	<u>39.6%</u>	<u>1,473,786</u>	<u>40.4%</u>
Total expenses	<u>\$ 3,682,112</u>	<u>100.0%</u>	<u>\$ 3,646,147</u>	<u>100.0%</u>
Change in net position	\$ 138,544		\$ 20,088	
Net position at the beginning of the year	5,029,360		5,009,272	
Net position at the end of the year	<u>\$ 5,167,904</u>		<u>\$ 5,029,360</u>	

In review of the Summary of Changes in Net Position, there have been a few shifts from the previous year. The charges for services have increased \$200,573. This increase was driven by increases in both grant administration and regional planning revenues. The operating grant revenue decreased this year by \$38,992. This decrease can be attributed to the decrease in the state match for FY2025.

Financial Analysis of the District's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of expendable resource focus. This information is useful in assessing resources available at year-end in comparison with upcoming financing requirements. Governmental funds reported ending fund balance of \$4,818,450. Of this year-end total \$2,473,677 is unassigned indicating availability for continuing District requirements. Restricted fund balances of \$2,344,773 are reserved for the EDA RLF Program \$1,348,765, RLF Covid Program \$788,743, and the RLF Agriculture Program \$207,265. Fund balances increased this year by \$150,861. Total revenue this year increased \$154,421 over last year and total expenses decreased \$40,931 over last year with the net effect of an increased fund balance.

EAST TENNESSEE DEVELOPMENT DISTRICT
Management's Discussion & Analysis (Continued)

Proprietary Funds

The District has no proprietary funds.

Capital Asset and Debt Administration

Capital Assets

The District's capital assets, \$1,315,555, net of accumulated depreciation (\$262,804) amounted to \$1,052,750. There were \$11,877 in additions during the fiscal year. Depreciation expense for the year amounted to \$46,161.

Long-term Debt and Bond Ratings

During the year ended June 30, 2023, the District assumed two USDA loans. The District paid principal amount of \$21,967 and \$29,465 in interest expense. At June 30, 2025 the balance of the debt is \$703,297. Development District legislation has no provision authorizing the issuance of bonds.

Economic Factors and Next Year's Budget

The Tennessee economy continues to stabilize as effects from the COVID-19 pandemic and ensuing recovery dissipate. Tennessee saw extremely strong growth as it recovered from the pandemic, with inflation-adjusted gross domestic product (real GDP) growth of 9.0 percent in 2021 and 4.0 percent in 2022. Economic growth began to moderate thereafter, as real GDP advanced by only 1.9 percent in 2023. Expectations are that economic growth in Tennessee will continue to moderate over the near term as the recovery winds down, with a slightly slower rate of GDP growth relative to the nation in 2024, but then stronger growth in 2025. Specifically, Tennessee real GDP will expand by 2.4 percent in 2024 and 2.5 percent in 2025, while the U.S. economy is projected to grow by 2.7 percent and 2.0 percent in 2024 and 2025, respectively. Slower state growth in 2024 is largely driven by timing, as the Tennessee economy recovered more quickly from the pandemic and is therefore stabilizing sooner as well.

Job growth in Tennessee continues to moderate as well. The state added roughly 58,000 new jobs to payrolls in 2023, which was in line with prepandemic job gains, but well below the 100,000-plus jobs added in both 2021 and 2022. Monthly jobs data provide additional evidence of a cooling labor market. In the first half of 2023, the state added an average of roughly 8,000 jobs per month, but starting in July 2023 Tennessee began to see labor force contractions, with 4 out of the 5 months from July through November seeing negative job growth. Since then, job growth has largely turned positive, but gains have been much smaller. In the third quarter of 2024 (July through September), Tennessee added an average of only 2,600 jobs per month. As a result, we project that nonfarm employment growth will increase by 0.7 percent in 2024 and 1.1 percent in 2025, representing much more moderate increases of 22,500 jobs and 36,400 jobs respectively.

Tennessee's unemployment rate, which remains (the full set of population estimates and projections can be found at <https://tnsdc.utk.edu/estimates-and-projections/boyd-center-population-projections/>) at a historically low level, has drifted upward in recent months. The state rate reached an all-time low of 3.0 percent in July 2024 but increased to 3.3 percent as of October. Expectations are that the unemployment rate will continue to slowly rise, averaging 3.2 percent for the 2024 year as a whole, 3.3 percent in 2025, and 3.4 percent in 2026. The rising unemployment rate will be driven by both a slowdown in job growth, as well as an increase in the number of unemployed people as the economy cools and it takes longer for some job seekers to find work.

EAST TENNESSEE DEVELOPMENT DISTRICT
Management's Discussion & Analysis (Continued)

Economic Factors and Next Year's Budget (continued)

Nominal personal income will advance at an above trend rate of 6.1 percent in 2024 due to strong and sustained growth in wages and salaries. Expectations are that personal income growth will moderate back towards historic trends, and grow by 4.6 percent in 2025, as both wage growth and job growth slow. After adjusting for inflation, real personal income will increase by 3.6 percent in 2024 and 2.6 percent in 2025. On a fiscal year basis, nominal personal income is projected to grow by 5.3 percent in FY24/25 and 4.7 percent in FY25/26. Over the long term (10 years out), Tennessee real GDP growth will hover around its pre-pandemic trend of roughly 2.5 to 2.6 percent per year from 2026 through 2029, but then decelerate to around 2.3 to 2.4 percent from 2030 through 2034. Similarly, nonfarm employment will advance by 1.2 to 1.4 percent per year during the first half of the forecast horizon, before slowing to 0.8 to 1.0 percent growth towards the end of the long-term forecast horizon. Slightly slower growth towards the end of the long-term forecast horizon is due to the aging population coupled with lower fertility rates leading to a smaller potential workforce over the long term. The state population is projected to increase by 600,000 people between 2020 and 2030, which would be slightly higher than the gains seen during the previous decade. Over the long term, real GDP in Tennessee is projected to advance by 2.4 to 2.5 percent per year from 2026 through 2030, but will then slow to 2.2 to 2.3 percent towards the end of the forecast horizon (2031 through 2033). Similarly, Tennessee employment will increase by 1.1 to 1.2 percent per year from 2026 to 2030, but will then slow to roughly 0.8 percent growth per year from 2030 to 2033. The projected slowdown in both real GDP and employment at the tail end of the forecast horizon is due to an aging population and a continued increase in retirements. (Source: 2024 Report to the Governor, TN CBER)

Population growth will slow in the ensuing decade, adding 427,000 new residents between 2030 and 2040. This slowdown is driven by two important factors. First net migration, which rose to record levels over the last two years, is expected to recede to more normalized levels over the long term. Second, low fertility rates coupled with rising deaths among an aging population will limit population growth. Between now and 2040, the number of senior citizens (aged 65 and older) is projected to increase by 11.7 percent, and the number of individuals aged 85 and older is expected to rise by 71.8 percent. Most of this growth will be driven by aging among current residents rather than an influx of out-of-state retirees, and, importantly, this will lead to an increased demand for health care and other support services. (source: 2025 Report to the Governor, TN CBER)

At the state level, ETDD has received commitments from various state departments to fund most of ETDD's existing state funded activities for FY 2026. TDOT will continue to fund the two Rural Transportation Organizations at the same rate as the previous year. TACIR will continue to fund the infrastructure survey at level funding and the THDA will maintain its commitment to housing advocacy. This year the Historical Commission maintained its historic preservation funding the same as the previous year's level but is uncertain for FY2026. However, the annual appropriation from the Tennessee General Assembly approved legislation to upgrade the Development Districts funding model this year that will increase our FY2026 appropriation to \$295,000 from \$ 200,000 FY2025 to help with the rising costs of operations. TDEC Solid Waste Technical Assistance grant will fund at a slightly higher level than last year. Beyond these variations, ETDD's funding from the State of Tennessee remains stable and reliable.

Internally, ETDD expects to continue to garner grant administration revenue from the Community Development Block Grant Program, the Appalachian Regional Commission and the US Economic Development Administration. We will also continue our local planning contracts with 39 communities to cover technical advisory planning assistance to our communities. Total annual revenues from these programs in FY 2026 should be higher than the FY 2025 level due to normal cyclical variations.

EAST TENNESSEE DEVELOPMENT DISTRICT
Management's Discussion & Analysis (Continued)

Economic Factors and Next Year's Budget (continued)

In summary, even during the uncertain budget environment, both the Federal Government and the State of Tennessee have continued to fund all of the District's current programs. All indications are that the Federal Government and the State of Tennessee will continue to fund the District's programs at current or slightly higher levels for the foreseeable future. Although the rural portions of the region are still experiencing relatively high poverty rates, growth in the construction and housing sectors remains robust and significant increases in business investment are evident throughout the region. Given these factors, economic activity in our region is expected to be above average in the fiscal year 2026.

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 regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like additional information, contact the District's Fiscal Officer at P.O. Box 249, Alcoa, TN 37701-0249.

EAST TENNESSEE DEVELOPMENT DISTRICT

Statement of Net Position

June 30, 2025

ASSETS

Current Assets - Unrestricted

Cash and cash equivalents	\$ 2,274,961
Accounts receivable	13,999
Intergovernmental receivables	371,329
Prepaid expenses	<u>6,840</u>

Total current assets - unrestricted \$ 2,667,129

Current Assets - Restricted

Cash and cash equivalents	1,616,517
Revolving Loan Fund - Agriculture, current maturities	4,214
Revolving Loan Fund - Covid, current maturities	67,049
Revolving Loan Fund, current maturities	<u>13,800</u>

Total current assets - restricted 1,701,580

Total current assets 4,368,709

Capital assets, net of accumulated depreciation

1,052,751

Revolving Loan Fund - Agriculture, less current maturities

23,734

Revolving Loan Fund - Covid, less current maturities

524,970

Revolving Loan Fund, less current maturities

94,950

Total assets \$ 6,065,114

LIABILITIES

Current Liabilities

Accounts payable	\$ 67,500
Accrued leave	95,277
Notes payable - due within one year	22,848
Other current liabilities	<u>3,236</u>

Total current liabilities 188,861

Notes payable - due in more than one year

680,449

Total liabilities \$ 869,310

NET POSITION

Net investment in capital assets \$ 349,454

Restricted

Restricted for Revolving Loan Fund 1,348,765

Restricted for Revolving Loan Fund - Agriculture 207,265

Restricted for Revolving Loan Fund - Covid 788,743

Unrestricted 2,501,577

Total net position \$ 5,195,804

See notes to financial statements.

EAST TENNESSEE DEVELOPMENT DISTRICT

Statement of Activities

Year Ended June 30, 2025

Function / Programs	Expenses	Program Revenues		Net Revenue
		Charges for Services	Operating Grants	
Governmental activities				
General government	\$ 2,206,655	\$ 1,242,784	\$ -	\$ (963,871)
Public service	<u>1,447,557</u>	<u>-</u>	<u>2,467,657</u>	<u>1,020,100</u>
Total governmental activities	<u>\$ 3,654,212</u>	<u>\$ 1,242,784</u>	<u>\$ 2,467,657</u>	56,229
General revenues				
Interest earned				81,064
Public service revenue				
Interest earned				<u>29,151</u>
Increase in net position				166,444
Net position at the beginning of the year				<u>5,029,360</u>
Net position at the end of the year				<u>\$ 5,195,804</u>

EAST TENNESSEE DEVELOPMENT DISTRICT

Balance Sheet - Governmental Funds

June 30, 2025

	General	Grants Management	Total Governmental Funds
ASSETS			
Current Assets - Unrestricted			
Cash and cash equivalents	\$ 2,274,961	\$ -	\$ 2,274,961
Accounts receivable	13,999	-	13,999
Due from other funds	371,329	-	371,329
Intergovernmental receivables	-	371,329	371,329
Prepaid expenses	6,840	-	6,840
Total current assets - unrestricted	<u>2,667,129</u>	<u>371,329</u>	<u>3,038,458</u>
Restricted assets			
Cash and cash equivalents	1,616,517	-	1,616,517
Revolving Loan Fund - Agriculture, current maturities	4,214	-	4,214
Revolving Loan Fund - Covid, current maturities	67,049	-	67,049
Revolving Loan Fund, current maturities	13,800	-	13,800
Total current assets - restricted	<u>1,701,580</u>	<u>-</u>	<u>1,701,580</u>
Total current assets	4,368,709	371,329	4,740,038
Revolving Loan Fund - Agriculture, less current maturities	23,734	-	23,734
Revolving Loan Fund - Covid, less current maturities	524,970	-	524,970
Revolving Loan Fund, less current maturities	94,950	-	94,950
Total assets	<u>\$ 5,012,363</u>	<u>\$ 371,329</u>	<u>\$ 5,383,692</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 67,500	\$ -	\$ 67,500
Accrued leave	95,277	-	95,277
Other current liabilities	3,236	-	3,236
Due to other funds	-	371,329	371,329
Total current liabilities	<u>166,013</u>	<u>371,329</u>	<u>537,342</u>
Fund balances			
Restricted for			
Revolving Loan Fund	1,348,765	-	1,348,765
Revolving Loan Fund - Agriculture	207,265	-	207,265
Restricted for Revolving Loan Fund - Covid	788,743	-	788,743
Unassigned	2,501,577	-	2,501,577
Total fund balances	<u>4,846,350</u>	<u>-</u>	<u>4,846,350</u>
Total liabilities and fund balances	<u>\$ 5,012,363</u>	<u>\$ 371,329</u>	<u>\$ 5,383,692</u>

See notes to financial statements.

EAST TENNESSEE DEVELOPMENT DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2025

Total fund balance - total governmental funds	\$ 4,846,350
Amounts reported for government activities in the statement of net position are different because:	
Capital assets of \$1,315,555 net of accumulated depreciation of \$262,804 are not financial resources and therefore are not reported in the funds. See Note 4.	1,052,751
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. See note 8. Long-term liabilities at year-end consist of:	<u>(703,297)</u>
Net position of governmental activities	<u>\$ 5,195,804</u>

EAST TENNESSEE DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Governmental Funds
Year Ended June 30, 2025

	Grants		
	General Fund	Management	Total
Revenue			
Grantor contributions	\$ -	\$ 2,467,657	\$ 2,467,657
Local contracts	241,041	-	241,041
Regional planning	419,544	-	419,544
Local assessments	201,121	-	201,121
Administrative contracts	381,078	-	381,078
Interest income	110,215	-	110,215
	<u>1,352,999</u>	<u>2,467,657</u>	<u>3,820,656</u>
Total revenue			
Expenditures			
Grant	955,352	608,236	1,563,588
Salaries	706,092	449,541	1,155,633
Fringe benefits	290,594	185,010	475,604
Planning	75,873	48,306	124,179
Capital purchases	7,257	4,620	11,877
Non-capital purchases	15,559	9,905	25,464
Equipment repairs and maintenance	32,771	20,864	53,635
Building repairs and maintenance	17,677	11,254	28,931
Other	(14,264)	(9,082)	(23,346)
Conferences and meetings	17,012	10,831	27,843
Travel	18,761	11,945	30,706
Contracted services	14,823	9,438	24,261
Insurance premiums	14,201	9,042	23,243
Memberships and publications	13,086	8,332	21,418
Audit	7,821	4,979	12,800
Automobile	6,711	4,272	10,983
Materials and supplies	4,208	2,679	6,887
Telephone and e-mail services	3,272	2,083	5,355
Printing and postage	2,537	1,615	4,152
Workers' compensation	2,296	1,461	3,757
Rent - office, storage, and equipment	2,134	1,359	3,493
Debt service			
Principal payments	13,422	8,545	21,967
Interest payments	18,003	11,462	29,465
	<u>2,225,198</u>	<u>1,416,697</u>	<u>3,641,895</u>
Total expenditures			
Excess of expenditures (over) under revenues	<u>(872,199)</u>	<u>1,050,960</u>	<u>178,761</u>
Other financing sources (uses)			
Transfers from other funds	1,050,960	-	1,050,960
Transfers to other funds	<u>-</u>	<u>(1,050,960)</u>	<u>(1,050,960)</u>
Net other financing sources (uses)	<u>1,050,960</u>	<u>(1,050,960)</u>	<u>-</u>
Net increase in fund balances	178,761	-	178,761
Fund balances at the beginning of the year	<u>4,667,589</u>	<u>-</u>	<u>4,667,589</u>
Fund balances at the end of the year	<u>\$ 4,846,350</u>	<u>\$ -</u>	<u>\$ 4,846,350</u>

See notes to financial statements.

EAST TENNESSEE DEVELOPMENT DISTRICT
 Reconciliation of the Governmental Funds Statement
 Fund Balance to the Statement of Activities
 Year Ended June 30, 2025

Increase in Fund Balances - Governmental Funds	\$	178,761
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which depreciation expense (\$46,161) is less than capital outlays (\$11,877) in the period.</p>		
		(34,284)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes financial resources of government funds. Neither transactions, however, has any effect on net position.</p>		
Repayment of long-term debt		<u>21,967</u>
Increase in Net Position - Governmental Activities		<u>\$ 166,444</u>

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Tennessee Development District (the "District") follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Financial Reporting Entity - The District is a political subdivision of the State of Tennessee created in accordance with Chapter 241 of the Public Acts of 1965. The District was established in 1966 as a means for the counties and municipalities within the district to effectively organize themselves to carry on general and comprehensive planning and development activities. The District serves Anderson, Blount, Campbell, Claiborne, Cocke, Grainger, Hamblen, Jefferson, Knox, Loudon, Morgan, Monroe, Roane, Scott, Sevier, and Union Counties, in the State of Tennessee. There are no other entities which comprise the reporting entity. The District is not a component unit of another reporting entity.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The District only participates in governmental activities. These activities are financed through intergovernmental revenues and other non-exchange revenues.

Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The District's funds are categorized as governmental. An emphasis is placed on major funds. Both of the District's funds are considered to be major because total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category.

The funds of the financial reporting entity are described as follows:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds for specific revenue sources that are legally restricted to expenditures for certain purposes.

Major Funds

The funds are further classified as major or non-major as follows:

General - The fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

Grants Management Fund - The fund is used to account for revenues and expenditures of all grants received.

Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus - On the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus is used.

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The funds use fund balance as the measure of available spendable financial resources at the end of the period.
- b. The accounting objectives of the "economic resources" measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported.

Basis of Accounting - In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis accounting, revenues are recognized when "measurable and available." Measurable is defined as knowing or being able to reasonably estimate the amount. Available is defined as collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

Cash and Cash Equivalents - For reporting purposes, the District considers all demand accounts and certificates of deposits to be cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants, assessments, and contractual reimbursements.

In the fund financial statements, material receivables include revenue accruals such as grants and other intergovernmental revenues since they are usually both measurable and available.

Notes Receivable - The notes receivable consist of loans to various local businesses through the Revolving Loan Fund, further discussed in Note 8.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Assets - In the governmental-wide financial statements, capital assets are accounted for at historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	39 years
Building improvements	10 years
Autos and other equipment	5 years

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a) Investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories) or legally or contractually required to be maintained intact (the corpus of a permanent fund). Non-spendable fund balance also includes the long-term portion of loans and notes receivable and property acquired for resale.

Restricted fund balances have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed fund balances result when the government's governing body imposes constraints through formal action of that body. Committed amounts cannot be used for any other purpose unless the government removes the constraint using the same type of action that was used to commit those amounts. The government would commit, modify, or rescind those funds by a vote of the Executive Committee.

Assigned fund balances are constrained by the government's intent for those assigned amounts to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the governing body, a body to which the governing body has delegated authority (i.e., a budget or finance committee), or an official that the governing body has designated. The Executive Director or Deputy Director would be authorized to assign these funds. This would be treated on a case by case basis as authorized by a vote of the Executive Committee.

Any residual fund balance remaining after all of the other categories of fund balance have been determined is categorized as *unassigned* fund balance.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Equity Classifications - (Continued)

Fund Financial Statements - (Continued)

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then use unrestricted fund balance. Furthermore, committed fund balances first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes which amounts in any of those unrestricted fund balance classifications can be used. As of June 30, 2025, the District did not have committed or assigned fund balances.

Restricted Assets - Restricted assets include cash and notes receivable of the general fund that are legally restricted as to their use. These assets are related to the Economic Development Agency Revolving Loan Fund Program and the State of Tennessee, Department of Agriculture Revolving Loan Fund Program.

Concentration of Risk - Financial instruments that potentially subject the District to concentrations of credit risk consist primarily of cash. The District places its cash with financial institutions and, at times, such balances may exceed federally insured amounts. At June 30, 2025, all of the District's bank accounts were fully insured either by the FDIC or by the banks' participation in the State of Tennessee's collateral pool.

Compensated Absences - The District's employees are granted annual leave in varying amounts per month based on years of service, as well as 37.5 hours in personal leave per fiscal year. Annual leave may be accumulated in an amount up to 450 hours; amounts in excess of 450 hours at June 30 can be converted into a cash conversion to be invested into the District's 457(b) retirement plan or forfeited. At June 30, 2025, accrued annual leave amounted to \$95,277. Up to 15 hours of unused personal leave may be carried over to the next year. The unused portion is forfeited. The unearned portion of personal leave is forfeited upon termination of employment. Prior to December 31, 1998, employees were granted sick leave. Accrued sick leave may be used for bereavement and in conjunction with short-term and/or long-term disability and is forfeited at termination.

Revenues - Amounts reported as program revenues include: (1) operating grants; and (2) charges for services for local assessments, local contracts, and administrative contracts. Interest and other revenue are reported as general revenues rather than program revenues.

In-kind Revenue and Expenditures - The District administers the emergency repair program which requires an in-kind match of labor or materials from the home-owner. The match is determined by the number of labor hours at minimum wage and the actual cost of the materials and is recorded as in-kind revenue and in-kind grant expenses. In-kind revenue and grant expenses were \$0 for the year ended June 30, 2025.

Expenditures/Expenses - In the government-wide financial statements, expenses are classified by function for government type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers - Permanent reallocation of resources between funds of the reporting entity, are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual government funds have been eliminated.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Change in Account Principle - In June 2022, the Governmental Accounting Standards Board issued Statement No. 101 Compensated Absences, which revises the recognition and measurement guidance for compensated absences. Effective for financial statements for periods beginning after December 15, 2023, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Additionally, that objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previous required disclosures. The implementation of GASB 101 had no effect on the District's beginning net position and the statement of net position includes a liability for compensated absences.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of net position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 2, 2025, which is the date these financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

The District's bank deposits at year-end were entirely covered by federal depository insurance and collateral held in the District's name in the Bank Collateral Pool monitored by the State of Tennessee Treasury Department.

NOTE 3 - ADMINISTRATIVE COSTS

The District contracts to provide accounting and administrative services to Areawide Development Corporation Reimbursement. Accounting and administrative costs totaled \$241,041 (included in local contract revenue) for the year ended June 30, 2025. During 2026, Areawide Development Corporation merged with another organization and the agreement with the District was terminated.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 4 - CAPITAL ASSETS

Changes in capital assets are summarized as follows:

	Balance as of			Balance as of
	7/1/2024	Additions	Retirements	6/30/2025
Governmental activities				
Land	\$ 343,740	\$ -	\$ -	\$ 343,740
Building	596,725	-	-	596,725
Building improvements	106,596	11,877	-	118,473
Furniture and equipment	88,643	-	-	88,643
Automobile	167,974	-	-	167,974
	<u>1,303,678</u>	<u>11,877</u>	<u>-</u>	<u>1,315,555</u>
Accumulated depreciation				
Building	26,776	15,300	-	42,076
Building improvements	14,840	11,707	-	26,547
Furniture and equipment	88,643	-	-	88,643
Automobiles	86,384	19,154	-	105,538
	<u>216,643</u>	<u>46,161</u>	<u>-</u>	<u>262,804</u>
Governmental activities capital assets, net	<u>\$ 1,087,035</u>	<u>\$ (34,284)</u>	<u>\$ -</u>	<u>\$ 1,052,751</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 19,006
Public services	<u>27,155</u>
Total depreciation expense	<u>\$ 46,161</u>

NOTE 5 - OPERATING LEASES

The District leases office equipment and a storage unit under operating leases. Rent expense under these leases for the year ended June 30, 2025, was \$3,493.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 6 – ACCRUED LEAVE

Accrued leave activity is as follows:

	Balance 6/30/2024	Additions	Retired	Balance 6/30/2025
Compensated absences	\$ 102,156	\$ -	\$ 6,879	\$ 95,277
	\$ 102,156	\$ -	\$ 6,879	\$ 95,277

NOTE 7 – RETIREMENT PLANS

Deferred Compensation Plan

Effective February 1, 2020, employees of the District may participate in two deferred compensation plans adopted under the provisions of Internal Revenue Code Section 457(b) (Deferred Compensations Plans With Respect to Service for State and Local Governments) and Internal Revenue Code Section 401(k)-Cash or Deferred Arrangement for Governmental Employers. The District adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Sections 457 Deferred Compensation Plans*, in 1998. In accordance with GASB No. 32, the separate assets and liabilities of the plan are in a separate trust and therefore are not reflected in the accompanying financial statements. The Plan is administered by The State of Tennessee Treasury Department and record kept by Empower Retirement.

Employees are eligible to begin participation on their hire date. The Plan permits salary reduction contributions up to the maximum allowed by the IRS as well as catch up contributions for employees beginning at age 50. The District matches 100% of the employee’s contributions up to 5% of W-2 eligible compensation and employees are eligible for this match on the first day the month following completion of six months of continuous service. Employee contributions were \$82,994 and the District’s match was \$46,770 for the year ended June 30, 2025. Employees are 100% vested at all times.

3121 Plan

The District maintains a 3121 Social Security Replacement Plan under the State of Tennessee 401(k) Plan for all employees in lieu of social security deductions. The Plan is a feature under the State’s 401(k) defined contribution plan, established July 1, 1982, and adopted by the District effective February 1, 2020. The Plan is administered by The State of Tennessee Treasury Department and record kept by Empower Retirement. All employees depend solely on amounts contributed by the District to the Plan. Employees must be 18 years of age in order to participate in the Plan and become eligible immediately on their hire date. The Plan has fixed employer contribution of 15.3% of W-2 eligible wages. The fixed contribution amount may be adjusted annually and equals the FICA tax rate plus the Medicare tax rate for the Plan year for both an employer and an employee subject to those taxes but no less than 7.5%. Employees are 100% vested at all times. The District’s total salaries were \$1,155,633 in 2025. The District contributed \$175,318 to the Plan for the year ended June 30, 2025.

NOTE 8 – REVOLVING LOAN FUND

The District administers a program whereby low interest loans are made to businesses qualifying under a long-term economic deterioration grant under Title IX, Section 903 of the Public Works and Economic Development Act of 1965, as amended, and the Revolving Loan Fund Plan for East Tennessee Development District (the “RLF Plan”) dated July 29, 1983.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 8 - REVOLVING LOAN FUND - (Continued)

Funding for the loans is provided by the U.S. Economic Development Administration ("EDA") and the Tennessee Department of Economic and Community Development ("TECD"), at 75% and 25%, respectively.

The June 30, 2025 balance of \$108,750 in note receivable consists of a loan to one entity. The note bears, at a minimum, a rate of interest of prime (as defined) minus 1%, is collateralized by certain equipment, and matures in 2032. Current interest rate is 4.75%.

Maturities of the note receivable are summarized as follows:

<u>Year ending June 30,</u>	
2026	\$ 13,800
2027	14,470
2028	15,173
2029	15,909
2030	16,682
Thereafter	<u>32,716</u>
	<u>\$ 108,750</u>

In fiscal year 2019, the District contracted with the State of Tennessee, Department of Agriculture to administer and service loans for the agricultural production and farm based businesses. The funds will be loaned to agriculture and farm based businesses that do not have reasonable access to capital markets and traditional commercial lending facilities to provide funding for certain infrastructure projects.

The District is responsible for re-lending funds by originating and servicing loans at below market rates to qualifying businesses located in the counties within the district for specific infrastructure purposes. The June 30, 2025 balance of \$27,948 consists of a loan made to one entity. The notes bear an interest rate of 4.00%, collateralized by equipment, maturing in 2031.

Maturities of the notes receivable are summarized as follows:

<u>Year ending June 30,</u>	
2026	\$ 4,214
2027	4,382
2028	4,557
2029	4,740
2030	4,929
Thereafter	<u>5,126</u>
	<u>\$ 27,948</u>

In fiscal year 2021, the District contracted with the EDA to administer and service loans for the CARES Act Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Award Plan. The objective of this plan is to assist small business that have been economically impacted by the COVID-19 pandemic to recover and sustain operations.

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 8 - REVOLVING LOAN FUND - (Continued)

The District is responsible for re-lending funds by originating and servicing loans at below market rates to qualifying businesses located in the counties within the district. The June 30, 2025 balance of \$592,019 consists of loans made to five entities. The notes bear an interest rate of 4.40% to 6.5%, collateralized by equipment, maturing from 2030 through 2036.

Maturities of the notes receivable are summarized as follows:

<u>Year ending June 30,</u>	
2026	\$ 67,049
2027	69,990
2028	73,082
2029	76,335
2030	79,760
Thereafter	<u>225,803</u>
	<u>\$ 592,019</u>

The District's exposure to credit loss in the amount of nonperformance by the other party to the notes receivable is represented by the contractual amount of the notes receivable. The District evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained is based on the Revolving Loan Fund guidelines. Management periodically evaluates the need for an allowance for losses based on the known and inherent risk, adverse situations that may affect the borrowers' ability to repay, estimated value of underlying and current economic conditions. As of June 30, 2025, management does not deem an allowance necessary.

NOTE 9- NOTES PAYABLE

On September 26, 2022, the District assumed two USDA Rural Development loans related to the sale of the property and building from Areawide Development Corporation. The office building and property serves as collateral for the note payable. As of June 30, 2025, the balance of USDA loan 2 is \$631,899 and has an interest rate of 4.125%. The loan is payable in monthly payments of \$3,851 including interest and matures September 26, 2045. As of June 30, 2025, the balance of USDA loan 3 is \$71,398 and has an interest rate of 4.125%. The loan is payable in monthly payments of \$435 including interest and matures September 26, 2045.

Notes payable for the year ended June 30, 2025 were as follows:

	Balance			Balance	Amounts
	July 1, 2024	Proceeds	Payments	June 30, 2025	Due Within One Year
Governmental Activities					
Notes Payable - USDA #2	\$ 651,637	\$ -	\$ 19,738	\$ 631,899	\$ 20,530
Notes Payable - USDA #3	<u>73,627</u>	<u>-</u>	<u>2,229</u>	<u>71,398</u>	<u>2,318</u>
	<u>\$ 725,264</u>	<u>\$ -</u>	<u>\$ 21,967</u>	<u>\$ 703,297</u>	<u>\$ 22,848</u>

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Financial Statements (Continued)

NOTE 9 - NOTES PAYABLE- (Continued)

Future maturities of the notes payable are as follows:

Year Ending June 30	Governmental Activities		
	Notes from Direct Borrowings		
	Principal	Interest	Total
2026	\$ 22,848	\$ 28,584	\$ 51,432
2027	23,809	27,623	51,432
2028	24,772	26,660	51,432
2029	25,888	25,544	51,432
2030	26,939	24,493	51,432
2031-2035	152,666	104,495	257,161
2036-2040	187,552	69,599	257,151
2041-2045	230,462	26,699	257,161
2046	8,361	43	8,404
	<u>\$ 703,297</u>	<u>\$ 333,740</u>	<u>\$ 1,037,037</u>

NOTE 10 - RISK MANAGEMENT

The District carries commercial insurance for risks of loss including general liability, property, casualty, directors' and officers' liability, automobile, and crime. There were no claims in any of the past three fiscal years.

NOTE 11 - CONTINGENCY

The District participates in federal and state financial assistance programs. Management is not aware of any deficiencies or noncompliance issues that, upon ultimate resolution, would have a material adverse impact on the financial statements of the District.

REQUIRED SUPPLEMENTARY INFORMATION

EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Changes in Long-Term Debt by Individual Issuance
June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/24	Issued During Period	Paid and/or Matured During	Refunded During Period	Outstanding 6/30/25
Governmental Activities									
Notes payable:									
Notes Payable - USDA #2	\$ 885,200	4.125%	09/28/07	09/26/45	\$ 651,637	\$ -	\$ 19,738	\$ -	\$ 631,899
Notes Payable - USDA #3	\$ 100,000	4.125%	09/29/07	09/26/45	<u>73,627</u>	<u>-</u>	<u>2,229</u>	<u>-</u>	<u>71,398</u>
Total notes payable through General Fund					<u>\$ 725,264</u>	<u>\$ -</u>	<u>\$ 21,967</u>	<u>\$ -</u>	<u>\$ 703,297</u>

EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Long-Term Debt Requirements
June 30, 2025

Year Ended June 30,	USDA Loan #2		USDA Loan #3		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 20,530	\$ 25,682	\$ 2,318	\$ 2,902	\$ 22,848	\$ 28,584
2027	21,393	24,819	2,416	2,804	23,809	27,623
2028	22,259	23,953	2,513	2,707	24,772	26,660
2029	23,261	22,951	2,627	2,593	25,888	25,544
2030	24,206	22,006	2,733	2,487	26,939	24,493
2031	25,224	20,988	2,848	2,372	28,072	23,360
2032	26,257	19,956	2,965	2,255	29,222	22,211
2033	27,415	18,797	3,096	2,124	30,511	20,921
2034	28,540	17,672	3,223	1,997	31,763	19,669
2035	29,740	16,472	3,358	1,862	33,098	18,334
2036	30,969	15,243	3,497	1,723	34,466	16,966
2037	32,312	13,890	3,649	1,571	35,961	15,461
2038	33,651	12,562	3,800	1,420	37,451	13,982
2039	35,065	11,147	3,959	1,261	39,024	12,408
2040	36,526	9,686	4,124	1,096	40,650	10,782
2041	38,087	8,125	4,301	919	42,388	9,044
2042	39,676	6,536	4,480	740	44,156	7,276
2043	41,344	4,868	4,668	552	46,012	5,420
2044	43,078	3,134	4,864	356	47,942	3,490
2045	44,895	1,318	5,069	151	49,964	1,469
2046	7,471	38	890	5	8,361	43
	<u>\$ 631,899</u>	<u>\$ 299,843</u>	<u>\$ 71,398</u>	<u>\$ 33,897</u>	<u>\$ 703,297</u>	<u>\$ 333,740</u>

SUPPLEMENTARY INFORMATION

EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Grantor Agency	Program Name and Assistance Listing Number	Contract Number	Beginning Receivable	Receipts	Expenditures	Ending Receivable	Subrecipients
Federal Highway Administration Passed- Through to State of Tennessee, Dept. of Transportation	Rural Transportation ALN # 20.205	61906 (39 mo) 74175 (39 mo)	\$ 34,495 <u>-</u>	\$ 34,495 <u>124,562</u>	\$ - <u>163,683</u>	\$ - <u>39,121</u>	\$ - <u>-</u>
Total Program 20.205			34,495	159,057	163,683	39,121	-
U.S. Department of Commerce - Economic Development Administration Cluster	Revolving Loan Fund RLF Covid ALN #11.307	04-79-07526	<u>-</u>	<u>810,474</u>	<u>810,474</u>	<u>-</u>	<u>592,019</u>
Total Economic Development Cluster			-	810,474	810,474	-	592,019
Appalachian Regional Commission	District Assistance ALN #23.009	TN-710-B-C55-25	-	84,675	169,351	84,676	-
Appalachian Regional Commission	Power Grant ALN #23.002	PW-19728-IM-19 PW-19728-IM-19	25,000 <u>-</u>	25,000 <u>206,584</u>	- <u>206,584</u>	- <u>-</u>	- <u>-</u>
Total Appalachian Regional Commission			25,000	316,259	375,935	84,676	-
U.S. Department of Commerce - Economic Development Administration	District Planning ALN #11.302	ED22ATL3020022 ED22ATL3020022	17,500 <u>-</u>	17,500 <u>35,000</u>	- <u>70,000</u>	- <u>35,000</u>	- <u>-</u>
National Park Service Passed - Through to State of Tennessee, Dept. of Environment and Conservation and TN Historical Commission	Historic Preservation ALN #15.904	32701-05287 32701-25-059	17,451 <u>-</u>	17,451 <u>49,542</u>	- <u>54,611</u>	- <u>5,069</u>	- <u>-</u>
U.S. Environmental Protectional Agency	Brownfield Coalition Assessment ALN #66.818	BF02D08421 BF02D08421	9,059 <u>-</u>	9,059 <u>27,972</u>	- <u>81,396</u>	- <u>53,424</u>	- <u>-</u>
Environmental Protection Agency Office Water Passed-Through to the State of Tennessee, Dept. of Environment and Conservation	BMP Implementation ALN #66.454	76925 77072	19,471 <u>-</u>	19,471 <u>21,843</u>	- <u>21,843</u>	- <u>-</u>	- <u>-</u>
Total Expenditures of Federal Awards			<u>\$ 122,976</u>	<u>\$ 1,483,628</u>	<u>\$ 1,577,942</u>	<u>\$ 217,290</u>	<u>\$ 592,019</u>

See accompanying independent auditors' report.

EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2025

Grantor Agency	Program Name	Contract Number	Beginning			Ending	
			Receivable	Receipts	Expenditures	Receivable	Subrecipients
Tennessee Advisory Commission on Intergovernmental Relations	Infrastructure Program	78801	\$ 33,975	\$ 33,975	\$ -	\$ -	\$ -
		82989	-	33,628	84,071	50,443	-
Tennessee Department of Economic and Community Development	Matching Fund Grant	83845	-	200,000	200,000	-	-
Tennessee Housing Development Authority	Emergency Repair Program	ERP-23-01	123,119	123,119	-	-	-
			-	294,944	341,832	46,888	-
Department of Transportation	Rural Transportation	74175	4,312	4,312	-	-	-
		74175	-	15,570	20,460	4,890	-
Total Expenditures of State Financial Assistance			<u>\$ 161,406</u>	<u>\$ 705,548</u>	<u>\$ 646,363</u>	<u>\$ 102,221</u>	<u>\$ -</u>

EAST TENNESSEE DEVELOPMENT DISTRICT
Notes to Schedules of Federal Awards and State Financial Assistance
June 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") include the federal and state grant activity of East Tennessee Development District (the "District") under programs of the federal and state government for the year ended June 30, 2025. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Assistance Listing Number ("ALN") numbers are presented for those programs for which such numbers were available. All programs are presented by the federal and state department. Because the Schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - REVOLVING LOAN PROGRAMS

Expenditure calculation for the Revolving Loan Fund - COVID-19 program was as follows:

Revolving Loan Fund Program	
Cash	\$ 197,185
Outstanding loan balances	592,019
Administrative costs	<u>21,270</u>
	810,474
Federal share	<u>100%</u>
Federal awards expended	<u>\$ 810,474</u>



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
East Tennessee 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 each major fund of East Tennessee Development District (the "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 2, 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 District'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 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.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
December 2, 2025



Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

To the Board of Directors
East Tennessee Development District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Tennessee Development District's (the "District") 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 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, the 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; 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Rodefer Moss & Co, PLLC

Knoxville, Tennessee

December 2, 2025

EAST TENNESSEE DEVELOPMENT DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? ___ yes no
 Significant deficiency(ies) identified? ___ yes none reported
 Noncompliance material to financial statements noted? ___ yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? ___ yes no
 Reportable condition(s) identified not considered to be material weaknesses? ___ yes none reported
 Type of auditors' report issued on compliance for major programs Unmodified
 Any audit findings disclosed that are required to be Reported in accordance with 2 CFR Section 200.516(a) ___ yes no

Identification of major programs:

ALN(s)

Name of Federal Program or Cluster

11.307
 23.002

Revolving Loan Fund COVID
 Appalachian Area Development

Dollar threshold used to distinguish between type A and type B programs: \$750,000
 Auditee qualified as low-risk auditee? yes ___ no

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

EAST TENNESSEE DEVELOPMENT DISTRICT
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2025

Financial Statement Findings

There were no prior findings reported.

Federal Award Findings and Questioned Costs

There were no prior findings or questioned costs reported related to federal awards.