

**SOUTHWEST TENNESSEE  
DEVELOPMENT DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2021**

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2021**

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
Roster of Board Officers, Executive Committee, and Board Members . . . . .	1 – 2
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b> . . . . .	3 – 4
<b>Management's Discussion and Analysis (unaudited)</b> . . . . .	5 – 9
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position . . . . .	10
Statement of Activities . . . . .	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet . . . . .	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position . . . . .	13
Statement of Revenues, Expenditures, and Changes in Fund Balances . . . . .	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities . . . . .	15
<b>Proprietary Funds:</b>	
Statement of Net Position . . . . .	16
Statement of Revenues, Expenses, and Changes in Net Position . . . . .	17
Statement of Cash Flows . . . . .	18
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position . . . . .	19
<b>Notes to Basic Financial Statements</b> . . . . .	20 – 38
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS . . . . .	39
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS . . . . .	40

Notes to Required Supplementary Information - TCRS . . . . .	41
--	----

**OTHER SUPPLEMENTAL INFORMATION**

<b>Schedule of Revenues and Expenditures by Program – General Fund . . . . .</b>	<b>42</b>
<b>Schedule of Revenues and Expenditures – Economic and Community Development . . . . .</b>	<b>43</b>
<b>Schedule of Expenditures of Federal Awards and State Financial Assistance . . . . .</b>	<b>44 – 46</b>
<b>Schedule of Long-Term Debt Requirements</b>	
- General Long-Term Debt . . . . .	47
- Loan Fund . . . . .	48
<b>Schedule of Changes in Long-Term Debt by Individual Issue . . . . .</b>	<b>49</b>

**INTERNAL CONTROL AND COMPLIANCE SECTION**

<b>Independent Auditor’s Report on Internal Control over Financial Reporting And On Compliance and Other Matters Based On an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> . . . . .</b>	<b>50 – 51</b>
<b>Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance . . . . .</b>	<b>52 – 53</b>
<b>Schedule of Prior Audit Findings . . . . .</b>	<b>54</b>
<b>Schedule of Findings and Questioned Costs . . . . .</b>	<b>55</b>

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
ROSTER OF BOARD OFFICERS, EXECUTIVE COMMITTEE AND BOARD MEMBERS  
JUNE 30, 2021**

**BOARD OFFICERS**

Jimmy Sain, Hardeman County Mayor, Chairman  
William (Bill) Rawls, Jr., Brownsville City Mayor  
Jimmy Harris, Madison County Mayor, Secretary-Treasurer

**EXECUTIVE COMMITTEE**

Eddie Bray, Henderson County Mayor	Julian McTizic, Bolivar City Mayor
David Livingston, Haywood County Mayor	Gary Bizzell, Bethel Springs City Mayor
Mike Creasy, Decatur County Mayor	Jeff Griggs, Lexington City Mayor
Larry Smith, McNairy County Mayor	Tim Boaz, Parson City Mayor
Robert (Bobby) King, Henderson City Mayor	Senator Ed Jackson, Jackson
Barry Hutcherson, Chester County Mayor	Representative Chris Todd, Jackson
Kevin Davis, Hardin County Mayor	Scott Conger, Jackson City Mayor
Allen Cherry, Hardin County, Minority Representative	Ricky Hollin, Milledgeville City Mayor
Herbert K. Slack, Madison County, Minority Representative	
Harry Crayton, McNairy County, Minority Representative	
Barbara Parker, Henderson County, Minority Representative	
Robert Green, Haywood County, Minority Representative	

**OTHER MEMBERS OF THE BOARD OF DIRECTORS**

Chester County

Mayor Melinda Johnston, Enville

Decatur County

Mayor Tim Grace, Decaturville  
Joseph Fisher, Minority Representative

Hardeman County

Mayor Gene Bowden, Whiteville  
Mayor Ricky Ayers, Hickory Valley  
Mayor Curtis Lane, Grand Junction  
Mayor Jim Daniel, Saulsburly  
Mayor Megan Hedwall, Hornsby  
Mayor Jackie Kelley, Toone  
Mayor Jackie Cox, Middleton  
Mayor Willard Beshires, Silerton  
Elmer Cobb, Minority Representative

Hardin County

Mayor Ricky Tuberville, Crump  
Mayor Bob Shutt, Savannah  
Mayor Larry Lowery, Saltillo

Haywood County

Mayor Allen Sterbinsky, Stanton

Henderson County

Mayor Kenny Parrish, Scotts Hill  
Mayor Joseph Hudgins, Sr, Sardis  
Mayor Kenneth Kizer, Parkers Crossroads

Madison County

Mayor Connie Mullins, Medon  
Mayor Larry Sanders, Three Way

McNairy County

Mayor David Leckner, Adamsville  
Mayor Gary Bizzell Jr., Bethel Springs  
Mayor Jessie Robbins, Eastview  
Mayor Robert Heathcock, Finger  
Mayor Keith Rinehart, Guys  
Mayor Anthony Smith, Michie  
Mayor George Armstrong, Ramer  
Mayor Larry Russell, Stantonville  
Mayor John Smith, Selmer

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
ROSTER OF BOARD OFFICERS, EXECUTIVE COMMITTEE AND BOARD MEMBERS (continued)  
JUNE 30, 2021**

**INDUSTRIAL REPRESENTATIVES**

Charles Taylor, Decatur County  
Mark Bartel, Henderson County  
Mark Herbison, Brownsville-Haywood County  
Mark O'Mell, McNairy County

Bob Williams, Hardeman County  
Tammy West, Madison County  
Jennifer Perryman, Hardin County

**MANAGEMENT**

Joe Barker, Director  
Kim Essary, Fiscal Director

**COUNSEL**

Rainey, Kizer, Reviere & Bell, PLC  
Matthew R. West  
Jackson, Tennessee



## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors  
Southwest Tennessee Development District  
Jackson, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary fund, and each major fund of the Southwest Tennessee Development District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund, and each major fund of the District, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pensions plan of TCRS, schedule of contributions based on participation in the public

employee pension plan of TCRS and notes to required supplementary information pages 5 – 9 and 39 – 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 introductory section and the accompanying financial information listed as supplementary and other information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 supplementary and other information including the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021, 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.



December 3, 2021

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

As management of the Southwest Tennessee Development District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

**Financial Highlights**

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,108,629 (*net position*). Of this amount, \$1,626,768 represents unrestricted net position, which may be used to meet the District's ongoing obligations.
- The District's total net position increased \$1,178,186 or 126.63%.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$638,611, an increase of 19,316.57% in comparison with the prior year's total of \$3,289. Of this amount, \$592,357 is available for spending at the District's discretion (*unassigned fund balance*).
- The District's total long-term debt increased by \$231,205 (\$156,725 from principal payments on outstanding debt, \$22,930 addition to compensated absences, and \$365,000 issuance of notes payable for the Loan Fund).

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and debt service. The business-type activities of the District include loan fund programs.

The government-wide financial statements can be found on pages 10 – 11 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, a proprietary fund, and a fiduciary fund.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

**Proprietary Funds.** The District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for loan program funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16 – 18 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 19 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 – 38 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 39 - 41.

Supplementary and other information is included in this report. The introductory section includes the directory and supplementary and other information section includes supplementary schedules of selected financial and other information.

#### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$2,108,629, at the close of the most recent fiscal year.

For the year ended June 30, 2021, net position changed as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,403,060	\$ 1,182,248	\$ 1,636,446	\$ 1,352,676	\$ 3,039,506	\$ 2,534,924
Capital assets	929,466	810,777	-	-	929,466	810,777
Total Assets	2,332,526	1,993,025	1,636,446	1,352,676	3,968,972	3,345,701
Total deferred outflow s of resources	445,494	481,492	-	-	445,494	481,492
Long term liabilities	638,796	654,903	1,180,075	932,764	1,818,871	1,587,667
Other liabilities	378,883	1,112,744	4,192	4,191	383,075	1,116,935
Total Liabilities	1,017,679	1,767,647	1,184,267	936,955	2,201,946	2,704,602
Total deferred inflow s of resources	103,891	192,148	-	-	103,891	192,148
Net Position:						
Net investment in capital assets	409,361	238,160	-	-	409,361	238,160
Restricted	-	44,652	72,500	72,500	72,500	117,152
Unrestricted	1,247,089	231,910	379,679	343,221	1,626,768	575,131
Total Net Position	\$ 1,656,450	\$ 514,722	\$ 452,179	\$ 415,721	\$ 2,108,629	\$ 930,443

At the end of the current fiscal year, the District was able to report positive balances on all categories of net position, both for the District as a whole as well as for the separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$1,141,728 from the prior fiscal year for an ending balance of \$1,656,450.

**Business-type Activities.** For the District's business-type activities, the results for the current fiscal year show an increase in overall net position of \$36,458 to reach an ending balance of \$452,179.

The following schedule presents a summary of the District's operations for the fiscal year ended June 30, 2021 with comparative totals for year ended June 30, 2020.

**CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
Program Revenues:						
Fees, fines and						
Charges for services	\$ 446,479	\$ 332,912	\$ 17,489	\$ 8,950	\$ 463,968	\$ 341,862
Operating grants & contributions	5,835,772	5,092,292	-	-	5,835,772	5,092,292
Capital grants & contributions	147,585	-	-	-	-	-
Other sources	531,630	131,061	35,177	36,495	566,807	167,556
Total revenues	<u>6,961,466</u>	<u>5,556,265</u>	<u>52,666</u>	<u>45,445</u>	<u>6,866,547</u>	<u>5,601,710</u>
<b>Expenses:</b>						
Local and administration	551,282	644,493	-	-	551,282	644,493
Aging	4,601,001	4,301,914	-	-	4,601,001	4,301,914
ECD	649,834	509,940	-	-	649,834	509,940
WIOA	-	-	-	-	-	-
Debt Service	17,621	27,016	-	-	17,621	27,016
Loan program	-	-	16,208	126,170	16,208	126,170
Total expenses	<u>5,819,738</u>	<u>5,483,363</u>	<u>16,208</u>	<u>126,170</u>	<u>5,835,946</u>	<u>5,609,533</u>
Increase in net position before transfers	1,141,728	72,902	36,458	(80,725)	1,178,186	(7,823)
Net position - beginning	514,722	441,820	415,721	496,446	930,443	938,266
Net position - ending	<u>\$ 1,656,450</u>	<u>\$ 514,722</u>	<u>\$ 452,179</u>	<u>\$ 415,721</u>	<u>\$ 2,108,629</u>	<u>\$ 930,443</u>

**Financial Analysis of Governmental Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board Members.

At June 30, 2021, the District's governmental funds reported combined fund balances of \$638,611, an increase of 19,316.57%, in comparison with the prior year's total of \$3,289. Of this amount, \$592,357 is available for spending at the District's discretion (*unassigned fund balance*).

Assigned amounts of \$46,254 indicate that these funds are set aside for specific purposes.

**Proprietary Funds.** The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Loan Fund at the end of the year was \$379,679. The change in net position for the fund was an increase of \$36,458 compared to a decrease of \$80,725 in the prior year. Operating revenues increased over the year due to an increase in loan origination fees while operating expenses decreased significantly mainly due to the absence of bad debt expense.

## **Capital Assets and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$929,466 (net of accumulated depreciation). Capital assets consist of a building and various equipment and furniture. Additional information on the District's capital assets can be found in Note 3.E. on page 30 of this report.

**Long-term Debt.** At the end of the current fiscal year, the District had \$1,818,872 in outstanding long-term debt. Of the total outstanding debt, 35% belongs to the Governmental funds and 65% to the Loan Fund. Additional information on the District's long-term debt can be found in Note 3.I. on pages 35-36 of this report.

The District's total debt increased by \$231,205 (14.56%) during the current fiscal year. The reason for the increase was an increase in notes payable for the Loan Fund and recording of compensated absence activity.

## **Requests of Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Executive Director or Accountant, Southwest Tennessee Development District, 102 E. College Street, Jackson, TN 38301.

Kim Essary  
Fiscal Director

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 591,155	\$ 370,991	\$ 962,146
Receivables:			
Accounts receivable	80,842	-	80,842
Grant receivable	726,045	-	726,045
Notes receivable, net of allowance	-	1,197,973	1,197,973
Internal balances	5,018	(5,018)	-
Restricted assets:			
Other assets	-	72,500	72,500
Capital assets (net of accumulated depreciation):			
Depreciable	929,466	-	929,466
<b>TOTAL ASSETS</b>	<u>2,332,526</u>	<u>1,636,446</u>	<u>3,968,972</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	445,494	-	445,494
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>445,494</u>	<u>-</u>	<u>445,494</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	328,346	4,192	332,538
Unearned revenues	1,162	-	1,162
Net pension liability	49,375	-	49,375
Long-term liabilities:			
Due within one year	40,651	118,827	159,478
Due in more than one year	598,145	1,061,248	1,659,393
<b>TOTAL LIABILITIES</b>	<u>1,017,679</u>	<u>1,184,267</u>	<u>2,201,946</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	103,891	-	103,891
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>103,891</u>	<u>-</u>	<u>103,891</u>
<b>NET POSITION</b>			
Net investment in capital assets	409,361	-	409,361
Restricted for:			
Debt service	-	72,500	72,500
Unrestricted	1,247,089	379,679	1,626,768
<b>TOTAL NET POSITION</b>	<u>\$ 1,656,450</u>	<u>\$ 452,179</u>	<u>\$ 2,108,629</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
JUNE 30, 2021**

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Local and administration	\$ 551,282	\$ 53,038	\$ -	\$ 74,524	\$ (423,720)	\$ -	\$ (423,720)
Aging	4,601,001	19,857	5,108,813	73,061	600,730	-	600,730
ECD	649,834	373,584	726,959	-	450,709	-	450,709
Debt Service - interest	17,621	-	-	-	(17,621)	-	(17,621)
<b>Total governmental-type activities</b>	<b>5,819,738</b>	<b>446,479</b>	<b>5,835,772</b>	<b>147,585</b>	<b>610,098</b>	<b>-</b>	<b>610,098</b>
<b>Business-type activities:</b>							
Loan Fund	16,208	17,489	-	-	-	1,281	1,281
<b>Total business-type activities</b>	<b>16,208</b>	<b>17,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,281</b>	<b>1,281</b>
<b>Total primary government</b>	<b>\$ 5,835,946</b>	<b>\$ 463,968</b>	<b>\$ 5,835,772</b>	<b>\$ 147,585</b>	<b>\$ 610,098</b>	<b>\$ 1,281</b>	<b>\$ 611,379</b>
			General revenues:				
			Investment earnings		313	35,177	35,490
			Miscellaneous		531,317	-	531,317
			Total general revenues and transfers		531,630	35,177	566,807
			Change in net position		1,141,728	36,458	1,178,186
			Net position - beginning		514,722	415,721	930,443
			Net position - ending		\$ 1,656,450	\$ 452,179	\$ 2,108,629

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

**ASSETS**

Cash and cash equivalents	\$ 591,155
Accounts receivable	80,842
Grant receivable	726,045
Due from other funds	5,018

<b>TOTAL ASSETS</b>	<b>\$ 1,403,060</b>
---------------------	---------------------

**LIABILITIES**

Accounts payable	\$ 251,354
Unearned revenues	1,162
Accrued expenses	76,992

<b>TOTAL LIABILITIES</b>	<b>329,508</b>
--------------------------	----------------

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenues	434,941
----------------------	---------

**FUND BALANCE**

**Assigned**

Public Guardian	1,641
Silver Shoe Charity	2,980
Future Choices	26,490
Alzheimers	130
California Community	6,676
My Ride Amerigroup	2,500
TN4AD	1,542
Ramps for Elderly & Disabled	4,295

**Unassigned**

General fund	592,357
--------------	---------

<b>TOTAL FUND BALANCES</b>	<b>638,611</b>
----------------------------	----------------

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

	<b>\$ 1,403,060</b>
--	---------------------

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total fund balance - total governmental funds	\$	638,611
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		929,466
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(49,375)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		341,603
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		434,941
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(638,796)</u>
Net position of governmental activities	\$	<u><u>1,656,450</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL**  
**FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>
<b>Revenue</b>	
Intergovernmental revenues	
Federal grants	\$ 3,263,491
State grants	1,458,509
Resource sharing	699,736
In-kind services	99,216
Charges for services	
Membership fees	53,038
Local contracts	115,150
Public guardian fees	19,857
Administrative fees	232,935
Other revenues	
Interest income	313
Golf tournament	9,692
Other revenue	596,151
	6,548,088
 Total revenue	 6,548,088
 <b>Expenditures</b>	
Current	
Salaries	1,728,170
Personnel expense	656,666
Office supplies	129,677
Dues and publications	13,435
Utilities	40,688
Telephone and internet services	40,554
Professional services	131,494
Travel and training	39,650
Operating supplies	61,949
Repairs and maintenance	63,707
Insurance	27,620
Contracted services	2,647,614
Meetings and luncheons	6,802
Miscellaneous	6,393
Promotional materials	14,888
In-kind expenses	99,216
Capital outlay	147,585
Debt service	
Principal payments	39,037
Interest payments	17,621
	5,912,766
 Excess (Deficit) of Revenues Over Expenditures	 635,322
 Fund Balance at Beginning of Year	 3,289
 Fund Balance at End of Year	 \$ 638,611

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

Net change in fund balances - total governmental funds	\$	635,322
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		
		147,585
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in government funds.		
		(28,896)
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the government funds		
		(22,930)
Some revenues reported in the statement of activities were deferred in the current year on the governmental funds.		
		413,380
Effect of GASB 68 adjustments; amounts reported on government-wide but not the governmental funds		
		(41,770)
Principal payments on outstanding debt obligations consumes the current financial resources of governmental funds but has no effect on net assets.		
		39,037
Change in net position of governmental activities	\$	1,141,728

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021**

	<b>LOAN FUND</b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 370,991
Other assets	72,500
Notes receivable - current portion	213,468
	656,959
Other assets:	
Notes receivable - non-current, net of allowance	984,505
<b>TOTAL ASSETS</b>	<b>1,641,464</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued interest	4,192
Due to other funds	5,018
Notes payable - current	118,827
Total current liabilities	128,037
Long-term debt:	
Notes payable - non-current	1,061,248
<b>TOTAL LIABILITIES</b>	<b>1,189,285</b>
<b>NET POSITION</b>	
Restricted for debt service	72,500
Unrestricted	379,679
<b>TOTAL NET POSITION</b>	<b>\$ 452,179</b>

**The accompanying notes are an integral part of these financial statements.**

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021**

	<b>LOAN FUND</b>
<b>Operating revenues:</b>	
Charges for services	
Loan origination fees	\$ 17,409
Service fees	80
Other	
Interest	35,177
<b>Total operating revenues</b>	<b>52,666</b>
 <b>Operating expenses:</b>	
Office supplies	3,157
Professional services	5,508
Travel and training	132
Legal fees	83
<b>Total operating expenses</b>	<b>8,880</b>
 <b>Operating income (loss)</b>	<b>43,786</b>
 <b>Non-operating revenues (expenses)</b>	
Interest expense	(7,328)
 <b>Change in net position</b>	<b>36,458</b>
 <b>Net position, beginning of year</b>	<b>415,721</b>
 <b>Net position, end of year</b>	<b>\$ 452,179</b>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021**

	<u>LOAN FUND</u>
<b>Cash flows from operating activities:</b>	
Cash receipts from customers	\$ 52,666
Cash receipts from note receivable principal payments	417,272
Cash payments for new loans disbursed	(861,000)
Cash payments to suppliers for goods and services	(8,880)
Cash payments to other funds	(11,210)
<b>Net cash used by operating activities</b>	<u>(411,152)</u>
<b>Cash flows from non-capital financing activities:</b>	
Principal paid on long-term debt	(117,689)
Advance on long-term debt	365,000
Interest paid on long-term debt	(7,328)
<b>Net cash provided from non-capital financing activities</b>	<u>239,983</u>
<b>Net decrease in cash and cash equivalents</b>	(171,169)
<b>Cash and cash equivalents - beginning</b>	<u>542,160</u>
<b>Cash and cash equivalents - ending</b>	<u><u>\$ 370,991</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 43,786
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in notes receivable	(443,728)
Increase (decrease) in due to other funds	(11,210)
<b>Net cash used by operating activities</b>	<u><u>\$ (411,152)</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2021**

**ASSETS**

Cash	\$ 112,072
	<u>\$ 112,072</u>

**NET POSITION**

Assets held in trust for others	<u>\$ 112,072</u>
---------------------------------	-------------------

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Southwest Tennessee Development District (the District) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1.A. REPORTING ENTITY**

The District operates under an Executive Director-Board of Directors form of organization. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the District. There are no other component units, entities for which the District is considered financially accountable, which should be included.

The District was established in 1971 in accordance with Title 13, Chapter 14, as amended, of the Tennessee Code Annotated (TCA). This legislation provides the States, Counties, and Cities and effective means of organizing themselves on a regional basis for planning and development activities.

The District encompasses the Counties of Chester, Decatur, Hardeman, Hardin, Haywood, Henderson, McNairy, and Madison in Southwest Tennessee.

**1.B. 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 except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by grants and other intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

*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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the District and is 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.

**Proprietary Fund**

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Fiduciary Funds (Not included in government-wide statements)**

*Private Purpose Trust Fund*

The private purpose trust fund accounts for clients' assets held by the District under the public guardianship program. This program was established by Title 34, Chapter 7 of TCA, to aid disabled persons over sixty years of age who have no family member or friend who is willing or able to serve as a conservator or guardian. The District manages clients' assets in accordance with court orders and trust agreements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Major Funds**

The funds are further classified as major or nonmajor as follows:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b> General	See above for description.
Proprietary Funds: Loan Fund	Account for loans issued to stimulate economic development in the District.

There are no nonmajor funds shown for the District.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates timing transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met; including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**1.D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**Cash and Investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

**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."

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities are primarily made up of grants. Business-type activities report notes receivables net of an allowance for uncollectable amounts. The allowance is recorded based on the past history of collections and current knowledge of individual loans.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

Capital assets, including equipment, furniture and fixtures, and a building, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years.

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:

	<u>Years</u>
Buildings and improvements	15 – 40
Land improvements	20
Equipment	5

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Unearned Revenues, Deferred Outflows/Inflows of Resources**

The governmental funds balance sheet and the government-wide statement of net position will sometimes report unearned revenue liabilities in connection with resources that have been received but not yet earned, which includes unavailable revenue for governmental funds under the modified accrual basis of accounting.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government's deferred outflows of resources are related to pension requirements under GASB Statement No. 68.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District had certain pension items that qualified for reporting on the government-wide statements in this category.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The District's policies regarding vacation and personal leave time permit employees to accumulate earned but unused vacation and personal leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. The employees accumulate vacation days up to a maximum of 42 days and sick leave up to a maximum of 120 days.

**Use of Estimates and Indirect Cost Allocations**

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The District allocates certain indirect expenses, which are significant estimates to the financial statements. These costs are included in local and administration costs on the Statement of Activities. At the fund level, the District's cost allocation plan is applied to the General Fund and Loan Fund program expenditures as approved by the Board of Directors. See Note 2.A. for further discussion of indirect cost allocations.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government’s policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Net 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 improvements 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 position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. The Board of Aldermen is the government’s highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

*Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

*Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The District has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**1.E. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**1.F. REVENUES, EXPENDITURES, AND EXPENSES**

**Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as non-operating.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Expenditures/ Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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

Governmental funds – by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic 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 governmental funds have been eliminated.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2.A. BUDGETARY INFORMATION AND REPORTING**

The Board of Directors approves a cost allocation plan for the General Fund and Loan Fund programs for operating purposes. As a part of the cost allocation approved, the District allocates indirect expenditures, primarily comprised of administration of operating functions necessary to support the District's various programs and includes expenses such as salaries and wages, fringe benefits, travel and other central administrative services.

The District's cost allocation ("budget") is prepared on a budgetary basis. The District's annual cost allocation is a management tool that assists in analyzing financial activity for its year ending June 30, but greater emphasis is placed on complying with grant budgets, terms and conditions on a grant-by-grant basis. These terms and conditions normally specify the period during which costs may be incurred and outline budget restrictions or allowances. In light of the District's dependency on federal, state, and local budgetary decisions, the revenue estimates are based upon the best available information as to potential sources of funding.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**2.B. DEPOSITS AND INVESTMENTS - LAWS AND REGULATIONS**

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee. The District has no policy regarding custodial credit risk for deposits.

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The District has no policy that further limits allowable investments.

**NOTE 3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**3.A. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

*Custodial credit risk deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The District's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance and pledged collateral.

**3.B. RECEIVABLES**

In the government-wide statements, receivables consist of all revenues earned at year-end but not yet received. The major receivable balance for the governmental activities includes fees due from other governments and grant receivables. All amounts are anticipated to be collected within the next year.

**3.C. NOTES RECEIVABLE**

Notes receivable consist of loans to various local business through the Revolving Loan Fund and Intermediary Lending programs. Funding for these loans is provided by the United States Economic Development Administration and the Tennessee Department of Economic and Community Development.

As of June 30, 2021, the balance of \$1,197,973, net of allowance, in notes receivable consists of thirty-four loans to local businesses.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

The District's exposure to credit loss in the amount of nonperformance by the other party to 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 program 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, 2021 the District has recorded an allowance of \$108,367.

**3.D. OTHER ASSETS**

The business-type activities include an other asset balance of \$72,500. This is composed of property owned by the District that was received in lieu of loan payments. The District has no plans to keep this property, they plan to sell it and apply the proceeds toward the loan it was received on behalf of.

**3.E. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Balance 7/1/20</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/21</u>
Governmental Activities:				
Capital assets being depreciated				
Buildings	\$ 1,035,009	\$ -	\$ -	\$ 1,035,009
Equipment	211,926	147,585	(84,313)	275,198
Total Capital assets being depreciated	<u>1,246,935</u>	<u>147,585</u>	<u>(84,313)</u>	<u>1,310,207</u>
Less accumulated depreciation for:				
Buildings	(225,240)	(25,879)	-	(251,119)
Equipment	(210,918)	(3,017)	84,313	(129,622)
Total accumulated depreciation	<u>(436,158)</u>	<u>(28,896)</u>	<u>84,313</u>	<u>(380,741)</u>
Governmental activities capital assets, net	<u>\$ 810,777</u>	<u>\$ 118,689</u>	<u>\$ -</u>	<u>\$ 929,466</u>

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

Governmental Function:

    General and administrative \$ 28,896

**3.F. ACCRUED LIABILITIES**

Accrued expenses reported by governmental funds at June 30, 2021, consisted of accrued salaries and related accrued payroll expenses.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**3. G. GENERAL INFORMATION ABOUT THE PENSION PLAN**

*Plan description.* Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs). The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees covered by benefit terms.* At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	25
Active employees	33
	<u>80</u>

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5 percent of annual covered payroll. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the employer contributions for the District were \$141,958 based on a rate of 8.55 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The District's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent.
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	<b>Increase (Decrease)</b>		<b>Net Pension Liability (Asset) (a) - (b)</b>
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	
<b>Balance at 6/30/19</b>	\$ 3,776,817	\$ 3,821,469	\$ (44,652)
<b>Changes for the year:</b>			
Service cost	126,578	-	126,578
Interest	278,083	-	278,083
Differences between expected and actual experience	21,616	-	21,616
Changes of benefit terms	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	145,537	(145,537)
Contributions-employees	-	-	-
Net investment income	-	189,722	(189,722)
Benefit payments, including refunds of employee contributions	(135,540)	(135,540)	-
Administrative expense	-	(3,009)	3,009
Other changes	-	-	-
<b>Net changes</b>	290,737	196,710	94,027
<b>Balance at 6/30/20</b>	\$ 4,067,554	\$ 4,018,179	\$ 49,375

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net position liability (asset) of the District calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Increase (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Decrease (8.25%)</b>
The District's net pension liability (asset)	\$ 638,368	\$ 49,375	\$ (435,582)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows Of Resources Related to Pensions**

*Pension expense (negative pension expense).* For the year ended June 30, 2021, the District recognized pension expense (negative pension expense) of \$183,726.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	245,554	103,891
Net difference between projected and actual earnings on pension plan investments	30,050	-
Changes in assumptions	27,932	-
Contributions subsequent to the measurement date of 6/30/20	141,958	(Not applicable)
Total	445,494	103,891

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

**Year Ended June 30:**

2022	\$ 40,442
2023	44,685
2024	49,832
2025	61,087
2026	3,603
Thereafter	-

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Payable to the Pension Plan**

At June 30, 2021, the District reported a payable of \$10,925 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

**3.H. LONG-TERM DEBT**

**Governmental Activities**

As of June 30, 2021, the governmental long-term debt of the District consisted of the following:

**Notes Payable**

Bancorp South, beginning May 10, 2013, annual installments of \$56,657 principal and interest including prime interest of 3.21% through May 10, 2028, when a balloon payment of \$250,400 will be due.	\$	520,105
--	----	---------

**Other Debt**

Compensated absences		118,691
<b>Total Government Activity Debt</b>	<b>\$</b>	<b><u>638,796</u></b>

The liability for general obligation bonds and compensated absences is fully liquidated by the general fund.

**Business-type Activities**

As of June 30, 2021, the business-type long-term debt of the District consisted of the following:

RUS Notes Payable, beginning January 29, 1997, annual installments of \$78,230, including principal and interest of 1% through January 2023.	\$	150,695
RUS Notes Payable, beginning July 20, 2001, annual installments of \$14,858, including principal and interest of 1% through July 2028.		113,621
RUS Notes Payable, beginning February 3, 2003, annual installments of \$31,838, including principal and interest of 1% through February 2033.		350,760
TN Ag Enhancement Program Revolving Loan, beginning February 15, 2019, to be paid back only if funds are used for purposes other than that stated in the contract		200,000
Economic Adjustment Program - EDA Cares Act Assistance, beginning July 24, 2020, to be paid back only if funds are used for purposes other than that stated in the contract		<u>365,000</u>
<b>Total Business-type Activity Debt</b>	<b>\$</b>	<b><u>1,180,076</u></b>

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

<u>Governmental-type Activities</u>	<u>Balance 7/1/2020</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2021</u>	<u>Due within one year</u>
Notes Payable	\$ 559,142	\$ -	\$ 39,037	\$ 520,105	\$ 40,651
Compensated Absences	95,761	22,930	-	118,691	-
Total governmental-type activities	<u>654,903</u>	<u>22,930</u>	<u>39,037</u>	<u>638,796</u>	<u>40,651</u>
 <u>Business-type Activities</u>					
Notes Payable	932,764	365,000	117,688	1,180,076	118,827
Total	<u>\$ 1,587,667</u>	<u>\$ 387,930</u>	<u>\$ 156,725</u>	<u>\$ 1,818,872</u>	<u>\$ 159,478</u>

**Annual Requirements to Retire Debt Outstanding**

The annual aggregate maturities for bonds and notes payable for the years subsequent to June 30, 2021, are as follows:

Year Ending June 30,	<i>Notes Payable</i>					Total
	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2022	\$ 40,651	\$ 16,006	\$ 118,827	\$ 6,099	\$ 181,583	
2023	41,976	14,681	116,347	4,246	177,250	
2024	43,343	13,314	42,875	3,821	103,353	
2025	44,755	11,902	43,305	3,391	103,353	
2026	46,213	10,444	43,738	2,958	103,353	
2027-2031	303,167	8,939	195,509	8,254	515,869	
2032-2033	-	6,830	54,475	556	61,861	
	<u>\$ 520,105</u>	<u>\$ 82,116</u>	<u>\$ 615,076</u>	<u>\$ 29,325</u>	<u>\$ 1,246,622</u>	

**3. I. INTERFUND TRANSACTIONS AND BALANCES**

**Interfund Receivables and Payables**

<b>DUE TO:</b>	<u>General</u>
<b>DUE FROM:</b>	
Loan Fund	<u>\$ 5,018</u>
	<u>\$ 5,018</u>

The due to General Fund originated in the current year from salary expenses paid by the General Fund for the Loan Fund. The prior year balance was repaid within one year, and these current year balance is expected to be repaid within one year.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**3. J. FUND BALANCE REPORTING**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. *Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by the District charter, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by formal action (ordinance) of the Board of Directors (the District's highest level of decision-making authority).
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts are determined by the Board of Directors.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

**3.K. REVOLVING LINE OF CREDIT**

The District has a \$400,000 line of credit, of which none was used at June 30, 2021. The credit line expires June 2, 2022 and is secured by accounts receivable, general intangibles, cash and cash in bank, chattel paper including insurance proceeds, instruments, and products thereof. This line of credit is used for working capital and has an interest rate of prime plus 1%, 4.25% at June 30, 2021.

**NOTE 4. OTHER NOTES**

**4. A. COMMITMENTS AND CONTINGENCIES**

The District is a guarantor of four Revolving Loan Fund notes with a balance of \$347,336 at June 30, 2021. In the event of default, the District would be liable for any unpaid balance. Collateral has been pledged to the District in the event of nonpayment.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

**4.B. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the District purchased commercial insurance for all of the above risks. Settled claims have not exceeded coverage in any of the past three years and there have been no significant reductions in the amount of coverage provided.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**FISCAL YEAR ENDING JUNE 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total pension liability</b>							
Service Cost	\$ 107,243	\$ 92,559	\$ 95,212	\$ 104,185	\$ 108,622	\$ 137,599	\$ 126,578
Interest	168,275	176,961	200,888	216,871	220,597	264,220	278,083
Changes in benefit terms	-	-	-	-	-	-	-
Differences between actual and expected experience	(97,995)	125,446	11,852	(134,213)	360,908	(69,554)	21,616
Change of assumptions	-	-	-	65,172	-	-	-
Benefit payments, including refunds of employee contributions	(44,079)	(49,967)	(107,221)	(100,410)	(110,302)	(124,513)	(135,540)
<b>Net change in total pension liability</b>	<u>133,444</u>	<u>344,999</u>	<u>200,731</u>	<u>151,605</u>	<u>579,825</u>	<u>207,752</u>	<u>290,737</u>
<b>Total pension liability - beginning</b>	<u>2,158,461</u>	<u>2,291,905</u>	<u>2,636,904</u>	<u>2,837,635</u>	<u>2,989,240</u>	<u>3,569,065</u>	<u>3,776,817</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 2,291,905</u>	<u>\$ 2,636,904</u>	<u>\$ 2,837,635</u>	<u>\$ 2,989,240</u>	<u>\$ 3,569,065</u>	<u>\$ 3,776,817</u>	<u>\$ 4,067,554</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 165,723	\$ 166,488	\$ 161,796	\$ 132,304	\$ 156,627	\$ 138,630	\$ 145,537
Contributions - employee	-	-	-	-	-	-	-
Net investment income	354,866	80,483	73,668	327,703	270,193	264,453	189,722
Benefit payments, including refunds of employee contributions	(44,079)	(49,967)	(107,221)	(100,410)	(110,302)	(124,513)	(135,540)
Administrative expense	(1,196)	(1,583)	(2,325)	(2,477)	(4,426)	(3,347)	(3,009)
Net change in plan fiduciary net position	<u>475,314</u>	<u>195,421</u>	<u>125,918</u>	<u>357,120</u>	<u>312,092</u>	<u>275,223</u>	<u>196,710</u>
<b>Plan fiduciary net position - beginning</b>	<u>2,080,381</u>	<u>2,555,695</u>	<u>2,751,116</u>	<u>2,877,034</u>	<u>3,234,154</u>	<u>3,546,246</u>	<u>3,821,469</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,555,695</u>	<u>\$ 2,751,116</u>	<u>\$ 2,877,034</u>	<u>\$ 3,234,154</u>	<u>\$ 3,546,246</u>	<u>\$ 3,821,469</u>	<u>\$ 4,018,179</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (263,790)</u>	<u>\$ (114,212)</u>	<u>\$ (39,399)</u>	<u>\$ (244,914)</u>	<u>\$ 22,819</u>	<u>\$ (44,652)</u>	<u>\$ 49,375</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	111.51%	104.33%	101.39%	108.19%	99.36%	101.18%	98.79%
<b>Covered payroll</b>	\$ 1,357,272	\$ 1,406,837	\$ 1,367,675	\$ 1,350,045	\$ 1,842,663	\$ 1,759,259	\$ 1,617,075
<b>Net pension liability (asset) as a percentage of employee payroll</b>	-19.44%	-8.12%	-2.88%	-18.14%	1.24%	-2.54%	3.05%

**Notes to Schedule:**

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

\*\*\*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS  
FISCAL YEAR ENDING JUNE 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$ 165,723	\$ 166,488	\$ 161,796	\$ 104,763	\$ 150,914	\$ 133,176	\$ 138,904	\$ 141,958
Contributions in relation to the actuarially determined contribution	<u>165,723</u>	<u>166,488</u>	<u>161,796</u>	<u>132,304</u>	<u>156,627</u>	<u>138,630</u>	<u>145,537</u>	<u>141,958</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,541)</u>	<u>\$ (5,713)</u>	<u>\$ (5,454)</u>	<u>\$ (6,633)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,357,272	\$ 1,406,837	\$ 1,367,675	\$ 1,350,045	\$ 1,842,663	\$ 1,759,259	\$ 1,617,074	\$ 1,660,323
Contributions as a percentage to covered payroll	12.21%	11.83%	11.83%	9.80%	8.50%	7.88%	9.00%	8.55%

\*\*\*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**Notes to Tennessee Consolidated Retirement System (TCRS) Schedule**

*Valuation date:* Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

**The accompanying notes are an integral part of these financial statements.**

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES BY PROGRAM  
YEAR ENDED JUNE 30, 2021**

	<u>Local</u>	<u>Aging</u>	<u>ECD</u>	<u>Total</u>
<b>REVENUES</b>				
<b>Intergovernmental revenues</b>				
Federal Grants	\$ -	\$ 2,862,045	\$ 401,446	\$ 3,263,491
State of Tennessee	-	1,195,564	262,945	1,458,509
Resource sharing	-	624,107	75,629	699,736
In-kind services	-	99,216	-	99,216
Charges for services				
Membership fees	53,038	-	-	53,038
Local contracts	-	-	115,150	115,150
Public guardian fees	-	19,857	-	19,857
Administration fees	-	-	232,935	232,935
Other revenues				
Interest	313	-	-	313
Golf tournament	-	9,692	-	9,692
Other revenues	482,810	113,341	-	596,151
<b>Total revenues</b>	<u>536,161</u>	<u>4,923,822</u>	<u>1,088,105</u>	<u>6,548,088</u>
<b>EXPENDITURES</b>				
Salaries	349,229	984,065	284,466	1,617,760
Salaries - Covid19	-	7,998	102,412	110,410
Personnel expense	115,750	410,539	96,264	622,553
Personnel expense - Covid19	-	2,009	32,104	34,113
Office supplies	18,331	100,694	8,143	127,168
Office supplies - Covid19	-	-	2,509	2,509
Dues and publications	7,791	2,621	3,023	13,435
Utilities	123	31,646	6,609	38,378
Utilities - Covid19	-	-	2,310	2,310
Telephone and internet services	2,329	32,594	4,192	39,115
Telephone and internet services - Covid19	-	-	1,439	1,439
Professional services	30,000	53,550	817	84,367
Professional services - Covid19	-	-	47,127	47,127
Travel and training	4,647	22,316	9,431	36,394
Travel and training - Covid19	-	-	3,256	3,256
Operating supplies	7,206	22,987	2,849	33,042
Operating supplies - Covid19	-	22,507	6,400	28,907
Repairs and maintenance	2,873	57,716	2,271	62,860
Repairs and maintenance - Covid19	-	-	847	847
Insurance	100	22,188	4,202	26,490
Insurance - Covid19	-	-	1,130	1,130
Contracted services	11,384	1,907,717	-	1,919,101
Contracted services - Covid19	-	728,513	-	728,513
Meetings and luncheons	1,245	3,398	343	4,986
Meetings and luncheons - Covid19	-	-	1,816	1,816
Miscellaneous	1,642	4,351	400	6,393
Occupancy	(94,962)	69,488	18,441	(7,033)
Occupancy - Covid19	-	-	7,033	7,033
Promotional materials	-	14,888	-	14,888
Principal	39,037	-	-	39,037
Interest	-	12,894	3,490	16,384
Interest - Covid19	-	-	1,237	1,237
Capital outlay	74,524	-	-	74,524
Capital outlay - Covid19	-	73,061	-	73,061
In-kind expenses	-	99,216	-	99,216
Administrative costs	(481,595)	343,872	99,130	(38,593)
Administrative costs - Covid19	-	3,053	35,540	38,593
<b>Total expenditures</b>	<u>89,654</u>	<u>5,033,881</u>	<u>789,231</u>	<u>5,912,766</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 446,507</u>	<u>\$ (110,059)</u>	<u>\$ 298,874</u>	<u>\$ 635,322</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAMS  
YEAR ENDED JUNE 30, 2021

	Local Planning	Community Development	Rural Planning	Grant Administration	TACIR	Solid Waste	Historic Preservation	THDA	EDA-CEDS	EDA CARES	RLF CARES	DRA	Total
<b>REVENUES</b>													
Intergovernmental revenues													
Federal Grants	\$ -	\$ -	\$ 46,018	\$ -		\$ -	\$ 43,334	\$ -	\$ 70,000	\$ 211,870	\$ 30,224	\$ -	\$ 401,446
State of Tennessee	-	230,000	5,752	-	-	4,283	-	22,910	-	-	-	-	262,945
Resource Sharing	-	-	-	-	59,629	-	-	-	-	-	-	16,000	75,629
Charges for services													
Local contracts	99,152	-	-	-	-	-	-	-	15,998	-	-	-	115,150
Administration fees	-	-	-	227,935	-	-	-	5,000	-	-	-	-	232,935
<b>Total revenues</b>	<u>99,152</u>	<u>230,000</u>	<u>51,770</u>	<u>227,935</u>	<u>59,629</u>	<u>4,283</u>	<u>43,334</u>	<u>27,910</u>	<u>85,998</u>	<u>211,870</u>	<u>30,224</u>	<u>16,000</u>	<u>1,088,105</u>
<b>EXPENDITURES</b>													
Salaries	34,143	-	26,649	97,260	6,093	99	57,704	988	61,530	85,805	16,607	-	386,878
Personnel expense	15,030	-	7,368	34,160	1,707	28	17,382	329	20,260	26,664	5,440	-	128,368
Office supplies	765	-	828	3,722	250	-	746	207	1,625	1,944	565	-	10,652
Dues and publications	-	-	-	1,123	-	-	-	-	1,900	-	-	-	3,023
Utilities	439	-	915	2,755	140	-	841	234	1,285	2,148	162	-	8,919
Telephone and internet services	44	-	793	1,913	14	-	810	12	606	990	449	-	5,631
Professional services	-	-	-	-	-	-	-	800	17	47,000	127	-	47,944
Travel and training	1,450	-	1,123	4,037	138	407	1,910	75	291	3,256	-	-	12,687
Operating supplies	82	-	172	2,136	26	-	158	44	231	4,023	2,377	-	9,249
Repairs and maintenance	153	-	320	963	49	-	294	82	410	751	96	-	3,118
Insurance	365	-	609	1,408	191	-	620	118	891	1,027	103	-	5,332
Meetings and luncheons	-	-	-	-	-	-	-	-	343	1,816	-	-	2,159
Miscellaneous	-	-	400	-	-	-	-	-	-	-	-	-	400
Occupancy	1,254	-	2,614	7,869	400	-	2,401	667	3,236	6,135	898	-	25,474
Interest	233	-	485	1,460	74	-	445	124	669	1,138	99	-	4,727
Administrative applied	11,321	-	9,227	34,060	2,246	-	20,527	377	21,372	29,941	5,599	-	134,670
	<u>65,279</u>	<u>-</u>	<u>51,503</u>	<u>192,866</u>	<u>11,328</u>	<u>534</u>	<u>103,838</u>	<u>4,057</u>	<u>114,666</u>	<u>212,638</u>	<u>32,522</u>	<u>-</u>	<u>789,231</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 33,873</u>	<u>\$ 230,000</u>	<u>\$ 267</u>	<u>\$ 35,069</u>	<u>\$ 48,301</u>	<u>\$ 3,749</u>	<u>\$ (60,504)</u>	<u>\$ 23,853</u>	<u>\$ (28,668)</u>	<u>\$ (768)</u>	<u>\$ (2,298)</u>	<u>\$ 16,000</u>	<u>\$ 298,874</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/Pass- Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>FEDERAL AWARDS</u></b>			
<b>U.S. Department of Agriculture</b>			
Pass through the Tennessee Commission on Aging and Disability Supplemental Nutrition Assistance Program (SNAP) Food Stamp Program	10.561		\$ 50,504
Total U.S. Department of Agriculture			<u>50,504</u>
<b>U.S. Department of Commerce</b>			
Economic Development Administration			
Economic Development - Support for Planning Organizations	11.302		70,000
Economic Adjustment Assistance Program - RLF	11.307	*	289,873
Economic Adjustment Assistance Program - CARES RLF	11.307	*	366,286
Economic Adjustment Assistance Program - CARES RLF Admin	11.307	*	30,224
Economic Adjustment Assistance Program - CARES	11.307	*	<u>211,870</u>
Total U.S. Department of Commerce			<u>968,253</u>
<b>U.S. Department of Interior</b>			
Pass through the State of TN Dept of Environment & Conservation, TN Historical Commission			
Historic Preservation Fund Grants-in-Aid	15.904		<u>43,334</u>
Total U.S. Department of Interior			<u>43,334</u>
<b>U.S. Department of Transportation</b>			
Pass through the State of TN Dept. of Transportation			
Highway Planning and Construction (Rural Planning Organization)	20.205		<u>40,882</u>
Total U.S. Department of Transportation			<u>40,882</u>

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/Pass- Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>FEDERAL AWARDS - continued</u></b>			
<b>U.S. Department of Health and Human Services</b>			
Pass through the Tennessee Commission on Aging and Disability Crime Victim Assistance VOCA Collaborative Response to Elder and Vulnerable Adult Abuse	16.575		<u>148,118</u>
Pass through the Women's Foundation for a Greater Memphis Tennessee Community CARES program	21.019		<u>26,629</u>
Special Programs for the Aging, Title VII, Chapter 3, Programs for the Prevention of Elder Abuse, Neglect and Exploitation	93.041		<u>3,900</u>
Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		<u>21,000</u>
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		<u>27,215</u>
Aging Cluster (93.044, 93.045, 93.053)			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	*	414,584
Coronavirus Aid, Relief, and Economic Security (CARES) Act	93.044	*	177,573
Pass through the Tennessee Commission on Aging and Disability Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	*	807,074
Coronavirus Aid, Relief, and Economic Security (CARES) Act	93.044	*	433,721
Nutrition Services Incentive Program Total Nutrition Services Incentive Program Total for Aging Cluster (93.044, 93.045, 93.053)	93.053	*	<u>95,101</u> <u>1,928,053</u>
Special Programs for the Aging, Title III, Part E, National Family Caregiver Support, Title III, Part E	93.052		146,390
Coronavirus Aid, Relief, and Economic Security (CARES) Act	93.052		<u>7,434</u> <u>153,824</u>
Medical Assistance Program (Home and Community Based Services Waiver)	93.778		<u>313,276</u>
Assistance Programs for Chronic Disease Prevention and Control	93.945		<u>93,959</u>
Total U.S. Department of Health and Human Services			<u>2,715,974</u>
<b>Total Federal Awards</b>			<u>\$ 3,818,947</u>

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/Pass- Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>STATE FINANCIAL ASSISTANCE</u></b>			
<b>Tennessee Commission on Aging</b>			
State Senior Centers Operations	N/A		\$ 83,100
State Home Delivered Meals	N/A		33,799
State Homemaker	N/A		17,989
State Caregiver	N/A		24,000
State Guardianship	N/A		158,200
Options for Community Living Program	N/A		<u>565,200</u>
Total Tennessee Commission on Aging			<u>882,288</u>
<b>Tennessee Department of Environment and Conservation</b>			
Division of Solid Waste Mangement Grant	N/A		<u>-</u>
<b>Tennessee Department of Economic and Community Development</b>			
Appropriation Grant	N/A		<u>230,000</u>
<b>Tennessee Department of Finance and Administration</b>			
Home and Community Based Services Waiver	N/A		<u>313,276</u>
<b>Tennessee Department of Transportation</b>			
Rural Transportation Planning Organization	N/A		<u>5,110</u>
<b>Tennessee Housing Development Agency</b>			
HOME Investment Partnership Program	N/A		<u>22,910</u>
<b>Total State Financial Assistance</b>			<u>1,453,584</u>
<b>Total Federal Awards and State Financial Assistance</b>			<u>\$ 5,272,531</u>

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Tennessee Development District, and is presented on the accrual basis of accounting.

**Note 2: Loan Balance**

The outstanding loan balance of the Intermediary Relending Program to the U.S. Department of Agriculture is \$732,764.

**Note 3: Summary of Significant Accounting Policies and Indirect Cost Rate**

Expenditures reported on the Schedule are reported on the modified 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 annually negotiates an indirect cost rate plan. The District elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: Revolving Loan Fund (Economic Adjustment Assistance Program)**

Expenditure calculation for this program was as follows: (Cash (\$83,715) + Outstanding loan balances (\$347,336) + Administrative costs (\$1,595)) multiplied by federal share (67%) equals \$289,873.

Expenditure calculation for this program was as follows: (Cash (\$40,288) + Outstanding loan balances (\$325,327) + Administrative costs (\$671)) multiplied by federal share (100%) equals \$366,286.

\* Denotes a major program

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
 SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - GENERAL LONG-TERM DEBT  
 JUNE 30, 2021**

Year Ending June 30,	2013 Building Loan	
	Principal	Interest
2022	\$ 40,651	\$ 16,006
2023	41,976	14,681
2024	43,343	13,314
2025	44,755	11,902
2026	46,213	10,444
2027	47,718	8,939
2028	255,449	6,830
	<u>\$ 520,105</u>	<u>\$ 82,116</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - LOAN FUND  
JUNE 30, 2021**

Year Ending June 30,	Industrial Relending Fund 1		Industrial Relending Fund II		Industrial Relending Fund III		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 76,798	\$ 1,432	\$ 13,709	\$ 1,149	\$ 28,320	\$ 3,518	\$ 118,827	\$ 6,099
2023	73,897	-	13,847	1,011	28,603	3,235	116,347	4,246
2024	-	-	13,986	872	28,889	2,949	42,875	3,821
2025	-	-	14,127	731	29,178	2,660	43,305	3,391
2026	-	-	14,269	589	29,469	2,369	43,738	2,958
2027	-	-	14,412	446	29,764	2,074	44,176	2,520
2028	-	-	14,557	301	30,062	1,776	44,619	2,077
2029	-	-	14,714	144	30,362	1,476	45,076	1,620
2030	-	-	-	-	30,665	1,172	30,665	1,172
2031	-	-	-	-	30,973	865	30,973	865
2032	-	-	-	-	31,282	556	31,282	556
2033	-	-	-	-	23,193	-	23,193	-
	<u>\$ 150,695</u>	<u>\$ 1,432</u>	<u>\$ 113,621</u>	<u>\$ 5,243</u>	<u>\$ 350,760</u>	<u>\$ 22,650</u>	<u>\$ 615,076</u>	<u>\$ 29,325</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
JUNE 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
<b>Governmental Activities</b>									
<b>NOTES PAYABLE</b>									
Payable through General Fund Bancorp South	\$ 802,016	3.21%	5/10/2013	5/10/2028	<u>\$ 559,142</u>	<u>\$ -</u>	<u>\$ 39,037</u>	<u>\$ -</u>	<u>\$ 520,105</u>
<b>Business-Type Activities</b>									
<b>NOTES PAYABLE</b>									
Payable through Loan Fund									
RUS Notes Payable	\$ 1,845,000	1.00%	1/29/1997	1/29/2023	\$ 226,748	\$ -	\$ 76,053	\$ -	\$ 150,695
RUS Notes Payable	350,000	1.00%	7/20/2001	7/20/2028	127,207	-	13,586	-	113,621
RUS Notes Payable	750,000	1.00%	2/3/2003	2/3/2033	378,809	-	28,049	-	350,760
<b>TOTAL NOTES PAYABLE - Payable through Loan Fund</b>					<u>\$ 732,764</u>	<u>\$ -</u>	<u>\$ 117,688</u>	<u>\$ -</u>	<u>\$ 615,076</u>
<b>OTHER LOANS PAYABLE</b>									
Payable through Loan Fund									
TN Ag Enhancement Program Revolving Loan	\$ 200,000	0.00%	2/15/2019	2/15/2024	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
Loan Advances for EDA Cares RLF	\$ 365,000	0.00%	7/24/2020	7/24/2022	-	365,000	-	-	365,000
					<u>\$ 200,000</u>	<u>\$ 365,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,000</u>

The accompanying notes are an integral part of these financial statements.



**INDEPENDENT AUDITOR'S 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**

Members of the Board of Directors  
Southwest Tennessee Development District  
Jackson, Tennessee

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, the business-type activities, the fiduciary, and each major fund of the Southwest Tennessee Development District (the District, as of and for the year ended June 30, 2021, 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 3, 2021.

**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 determining the 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 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 may exist that have not been identified.

**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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hodwin & Associates, PLLC*

December 3, 2021



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

Members of the Board of Directors  
Southwest Tennessee Development District  
Jackson, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the Southwest Tennessee Development District's (the District's) compliance with the types of compliance requirements described 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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

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, 2021.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 "Halvick Associates, PLLC". The signature is written in a cursive, flowing style.

December 3, 2021

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2021**

***Financial Statement Findings***

There were no prior findings reported.

***Federal Award Findings and Questioned Costs***

There were no prior findings reported.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021**

**SECTION I. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Southwest Tennessee Development District (SWTDD) were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in SWTDD's report.
3. No instances of noncompliance material to the financial statements of SWTDD, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in SWTDD's report.
5. The auditor's report on compliance for the major federal award programs for SWTDD expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The programs tested as major programs were:
  - Department of Health and Human Services: Aging Cluster
    - Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers CFDA 93.044
    - Special Programs for the Aging – Title III, Part C – Nutrition Services CFDA 93.045
    - Nutrition Services Incentive Program CFDA 93.053
    - Economic Adjustment Assistance CFDA 11.307
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.

**SECTION II. Findings – Financial Statement Audit**

NONE

**SECTION III. Findings and Questioned Costs – Major Federal Award Programs Audit**

NONE