

**SOUTHWEST TENNESSEE
DEVELOPMENT DISTRICT
ANNUAL FINANCIAL REPORT**

JUNE 30, 2022

SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
ROSTER OF BOARD OFFICERS, EXECUTIVE COMMITTEE AND BOARD MEMBERS
JUNE 30, 2022**

BOARD OFFICERS

Jimmy Sain, Hardeman County Mayor, Chairman
William (Bill) Rawls, Jr., Brownsville City Mayor, Vice-Chairman
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	Jimmy Harris, Madison County Mayor
Herbert K. Slack, Madison County, Minority Representative	Jimmy Sain, Hardeman County Mayor
Harry Crayton, McNairy County, Minority Representative	Larry Lowery, Saltillo City Mayor
Barbara Parker, Henderson County, Minority Representative	Bill Rawls, Jr., Brownsville City Mayor
Robert Green, Haywood County, Minority Representative	Jimmy Harris, Madison County Mayor

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, Saulsbury

Mayor Megan Hedwall, Hornsby

Mayor Jackie Kelley, Toone

Mayor Evan Mott, Middleton

Mayor Willard Beshires, Silerton

Elmer Cobb, Minority Representative

Hardin County

Mayor Ricky Tuberville, Crump

Mayor Ricky Hollin, Milledgeville

Mayor Bob Shutt, Savannah

Haywood County

Mayor Allen Sterbinsky, Stanton

Henderson County

Mayor Kenny Parrish, Scotts Hill

Mayor JW Creasy, Sardis

Mayor Kenneth Kizer, Parkers Crossroads

Madison County

Mayor Brad Replogle, Medon

Mayor Larry Sanders, Three Way

McNairy County

Mayor David Leckner, Adamsville

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 Sherry Inman, Selmer

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
ROSTER OF BOARD OFFICERS, EXECUTIVE COMMITTEE AND BOARD MEMBERS (continued)
JUNE 30, 2022**

INDUSTRIAL REPRESENTATIVES

Collins Pratt, Decatur County
Mark Bartel, Henderson County
Mark Herbison, Brownsville-Haywood County

Larry Crawford, 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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund, and each major fund of the District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, schedule of contributions based on participation in the public employee pension plan of TCRS, and notes to required supplementary information on pages 6–10 and 40–42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules and other supplementary information, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules and other supplementary information, including the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Change in Accounting Principle

As described in Note 3, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which has an effective date of June 30, 2022. Our opinion is not modified with respect to these matters.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Hokenin & Associates, PLLC". The signature is written in a cursive, flowing style.

October 24, 2022

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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 \$1,803,612 (*net position*). Of this amount, \$608,017 represents unrestricted net position, which may be used to meet the District's ongoing obligations.
- The District's total net position decreased \$305,017 or 14.47%.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$458,427, a decrease of 28.21% in comparison with the prior year's total of \$638,611. Of this amount, \$416,057 is available for spending at the District's discretion (*unassigned fund balance*).
- The District's total long-term debt decreased by \$157,901 (\$255,001 from principal payments on outstanding debt, \$37,900 from retirement of compensated absences, and \$135,000 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 11 – 12 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 13 – 16 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 17 – 19 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 20 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 21 – 39 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 40 - 42.

Supplementary and other information is included in this report. The introductory section includes the directory, and the 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 \$1,803,612, at the close of the most recent fiscal year.

For the year ended June 30, 2022, net position changed as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,832,072	\$ 1,403,060	\$ 1,569,982	\$ 1,636,446	\$ 3,402,054	\$ 3,039,506
Capital assets	995,115	929,466	-	-	995,115	929,466
Total Assets	<u>2,827,187</u>	<u>2,332,526</u>	<u>1,569,982</u>	<u>1,636,446</u>	<u>4,397,169</u>	<u>3,968,972</u>
Total deferred outflows of resources	<u>788,872</u>	<u>445,494</u>	<u>-</u>	<u>-</u>	<u>788,872</u>	<u>445,494</u>
Long term liabilities	670,765	638,796	1,100,402	1,180,075	1,771,167	1,818,871
Other liabilities	513,066	378,883	4,192	4,192	517,258	383,075
Total Liabilities	<u>1,183,831</u>	<u>1,017,679</u>	<u>1,104,594</u>	<u>1,184,267</u>	<u>2,288,425</u>	<u>2,201,946</u>
Total deferred inflows of resources	<u>1,094,004</u>	<u>103,891</u>	<u>-</u>	<u>-</u>	<u>1,094,004</u>	<u>103,891</u>
Net Position:						
Net investment in capital assets	393,975	409,361	-	-	393,975	409,361
Restricted	729,120	-	72,500	72,500	801,620	72,500
Unrestricted	215,129	1,247,089	392,888	379,679	608,017	1,626,768
Total Net Position	<u>\$ 1,338,224</u>	<u>\$ 1,656,450</u>	<u>\$ 465,388</u>	<u>\$ 452,179</u>	<u>\$ 1,803,612</u>	<u>\$ 2,108,629</u>

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 decreased \$329,008 from the prior fiscal year for an ending balance of \$1,338,224.

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 \$13,209 to reach an ending balance of \$465,388.

The following schedule presents a summary of the District's operations for the fiscal year ended June 30, 2022 with comparative totals for year ended June 30, 2021.

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Fees, fines and						
Charges for services	\$ 338,450	\$ 446,479	\$ 13,986	\$ 17,489	\$ 352,436	\$ 463,968
Operating grants & contributions	5,034,041	5,835,772	-	-	5,034,041	5,835,772
Capital grants & contributions	-	147,585	-	-	-	-
Other sources	79,822	531,630	35,872	35,177	115,694	566,807
Total revenues	<u>5,452,313</u>	<u>6,961,466</u>	<u>49,858</u>	<u>52,666</u>	<u>5,502,171</u>	<u>6,866,547</u>
Expenses:						
Local and administration	423,289	551,282	-	-	423,289	551,282
Aging	4,673,915	4,601,001	-	-	4,673,915	4,601,001
ECD	667,784	649,834	-	-	667,784	649,834
WIOA	-	-	-	-	-	-
Debt Service	16,333	17,621	-	-	16,333	17,621
Loan program	-	-	36,649	16,208	36,649	16,208
Total expenses	<u>5,781,321</u>	<u>5,819,738</u>	<u>36,649</u>	<u>16,208</u>	<u>5,817,970</u>	<u>5,835,946</u>
Increase in net position						
before transfers	(329,008)	1,141,728	13,209	36,458	(315,799)	1,178,186
Net position - beginning, original	1,656,450	514,722	452,179	415,721	2,108,629	930,443
Prior period adjustment	10,782	-	-	-	10,782	-
Net position - beginning, restated	<u>1,667,232</u>	<u>514,722</u>	<u>452,179</u>	<u>415,721</u>	<u>2,119,411</u>	<u>930,443</u>
Net position - ending	<u>\$ 1,338,224</u>	<u>\$ 1,656,450</u>	<u>\$ 465,388</u>	<u>\$ 452,179</u>	<u>\$ 1,803,612</u>	<u>\$ 2,108,629</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, 2022, the District's governmental funds reported combined fund balances of \$458,427, a decrease of 28.21%, in comparison with the prior year's total of \$638,611. Of this amount, \$416,057 is available for spending at the District's discretion (*unassigned fund balance*).

Assigned amounts of \$42,370 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 \$392,888. The change in net position for the fund was an increase of \$13,209 compared to a decrease of \$36,458 in the prior year. Operating revenues decreased over the year due to a decrease in loan origination fees while operating expenses increased significantly mainly due to the presence 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, 2022, amounts to \$995,115 (net of accumulated depreciation). Capital assets consist of a building, various equipment and furniture, and a right-of-use asset. Additional information on the District's capital assets can be found in Note 3.F. on page 32 of this report.

Long-term Debt. At the end of the current fiscal year, the District had \$1,660,971 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 36-38 of this report.

The District's total debt decreased by \$157,901 (8.68%) during the current fiscal year. The reason for the decrease was a decrease in compensated absences.

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, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 314,691	\$ 332,838	\$ 647,529
Receivables:			
Accounts receivable	13,573	-	13,573
Grant receivable	760,381	-	760,381
Notes receivable, net of allowance	-	1,178,363	1,178,363
Prepaid expense and deposit	588	-	588
Internal balances	13,719	(13,719)	-
Restricted assets:			
Net pension asset	729,120	-	729,120
Other assets	-	72,500	72,500
Capital assets (net of accumulated depreciation):			
Right to use asset	121,362	-	121,362
Building and equipment	873,753	-	873,753
TOTAL ASSETS	2,827,187	1,569,982	4,397,169
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	788,872	-	788,872
TOTAL DEFERRED OUTFLOWS OF RESOURCES	788,872	-	788,872
LIABILITIES			
Accounts payable and accrued expenses	173,569	4,192	177,761
Unearned revenues	339,497	-	339,497
Lease liabilities:			
Due within one year	34,307	-	34,307
Due in more than one year	75,889	-	75,889
Long-term liabilities:			
Due within one year	41,976	116,332	158,308
Due in more than one year	518,593	984,070	1,502,663
TOTAL LIABILITIES	1,183,831	1,104,594	2,288,425
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	1,094,004	-	1,094,004
TOTAL DEFERRED INFLOWS OF RESOURCES	1,094,004	-	1,094,004
NET POSITION			
Net investment in capital assets	393,975	-	393,975
Restricted for:			
Net pension asset	729,120	-	729,120
Debt service	-	72,500	72,500
Unrestricted	215,129	392,888	608,017
TOTAL NET POSITION	\$ 1,338,224	\$ 465,388	\$ 1,803,612

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2022**

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
Governmental activities:							
Local and administration	\$ 423,289	\$ 53,125	\$ -	\$ -	\$ (370,164)	\$ -	\$ (370,164)
Aging	4,673,915	55,501	4,359,094	-	(259,320)	-	(259,320)
ECD	667,784	229,824	674,947	-	236,987	-	236,987
Debt Service - interest	16,333	-	-	-	(16,333)	-	(16,333)
Total governmental-type activities	5,781,321	338,450	5,034,041	-	(408,830)	-	(408,830)
Business-type activities:							
Loan Fund	36,649	13,986	-	-	-	(22,663)	(22,663)
Total business-type activities	36,649	13,986	-	-	-	(22,663)	(22,663)
Total primary government	\$ 5,817,970	\$ 352,436	\$ 5,034,041	\$ -	\$ (408,830)	\$ (22,663)	\$ (431,493)
		General revenues:					
		Investment earnings			426	35,872	36,298
		Miscellaneous			79,396	-	79,396
		Total general revenues and transfers			79,822	35,872	115,694
		Change in net position			(329,008)	13,209	(315,799)
		Net position - beginning, as originally stated			1,656,450	452,179	2,108,629
		Prior period adjustment - See Note 4.D.			10,782	-	10,782
		Net position - beginning, as restated			1,667,232	452,179	2,119,411
		Net position - ending			\$ 1,338,224	\$ 465,388	\$ 1,803,612

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

ASSETS

Cash and cash equivalents	\$ 314,691
Accounts receivable	13,573
Grant receivable	760,381
Prepaid expense and deposit	588
Due from other funds	13,719
	<u>13,719</u>
TOTAL ASSETS	\$ 1,102,952
	<u>1,102,952</u>

LIABILITIES

Accounts payable	\$ 141,239
Unearned revenues	339,497
Accrued expenses	32,330
	<u>32,330</u>
TOTAL LIABILITIES	513,066
	<u>513,066</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	131,459
	<u>131,459</u>

FUND BALANCE

Assigned

Public Guardian	1,496
Silver Shoe Charity	2,980
Future Choices	31,225
Alzheimers	326
My Ride Amerigroup	2,500
Ramps for Elderly & Disabled	3,843

Unassigned

General fund	416,057
	<u>416,057</u>

TOTAL FUND BALANCES	458,427
	<u>458,427</u>

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

	\$ 1,102,952
	<u>1,102,952</u>

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, 2022**

Total fund balance - total governmental funds	\$	458,427
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.		995,115
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		729,120
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.		(305,132)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		131,459
Lease liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		(110,196)
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>(560,569)</u>
Net position of governmental activities	\$	<u><u>1,338,224</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, 2022

	General Fund
Revenue	
Intergovernmental revenues	
Federal grants	\$ 3,039,017
State grants	1,295,225
Resource sharing	864,978
In-kind services	106,220
Charges for services	
Membership fees	53,125
Local contracts	121,522
Public guardian fees	55,501
Administrative fees	140,385
Other revenues	
Interest income	426
Golf tournament	16,974
Other revenue	62,422
	<u>5,755,795</u>
 Total revenue	 <u>5,755,795</u>
 Expenditures	
Current	
Salaries	1,774,419
Personnel expense	659,695
Office supplies	99,354
Dues and publications	25,457
Utilities	40,895
Telephone and internet services	48,174
Professional services	114,732
Travel and training	123,673
Operating supplies	21,717
Repairs and maintenance	30,788
Insurance	26,976
Contracted services	2,729,185
Meetings and luncheons	20,398
Miscellaneous	12,977
Occupancy	18,897
Promotional materials	16,837
In-kind expenses	106,220
Small equipment	8,925
Debt service	
Principal payments	40,327
Interest payments	16,333
	<u>5,935,979</u>
 Excess (Deficit) of Revenues Over Expenditures	 (180,184)
 Fund Balance at Beginning of Year	 <u>638,611</u>
 Fund Balance at End of Year	 <u>\$ 458,427</u>

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, 2022**

Net change in fund balances - total governmental funds	\$	(180,184)
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.		
		-
Governmental funds report lease expense 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 amortization expense.		
		384
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.		
		(55,713)
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		
		37,900
Some revenues reported in the statement of activities were deferred in the current year on the governmental funds.		
		(303,482)
Effect of GASB 68 adjustments; amounts reported on government-wide but not the governmental funds		
		131,760
Principal payments on outstanding debt obligations consumes the current financial resources of governmental funds but has no effect on net assets.		
		<u>40,327</u>
Change in net position of governmental activities	<u>\$</u>	<u>(329,008)</u>

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022**

	LOAN FUND
ASSETS	
Current assets:	
Cash	\$ 332,838
Other assets	72,500
Notes receivable - current portion	268,480
	673,818
Other assets:	
Notes receivable - non-current, net of allowance	909,883
TOTAL ASSETS	1,583,701
LIABILITIES	
Current liabilities:	
Accrued interest	4,192
Due to other funds	13,719
Notes payable - current	116,332
Total current liabilities	134,243
Long-term debt:	
Notes payable - non-current	984,070
TOTAL LIABILITIES	1,118,313
NET POSITION	
Restricted for debt service	72,500
Unrestricted	392,888
TOTAL NET POSITION	\$ 465,388

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, 2022**

	LOAN FUND
Operating revenues:	
Charges for services	
Loan origination fees	\$ 13,319
Service fees	667
Other	
Interest	35,872
Total operating revenues	49,858
Operating expenses:	
Salaries	2,658
Personnel expenses	439
Office supplies	2,051
Telephone and internet	22
Professional services	4,317
Legal fees	745
Travel and training	113
Contracted services	1,096
Bad debt	17,950
Indirect costs	1,107
Total operating expenses	30,498
Operating income (loss)	19,360
Non-operating revenues (expenses)	
Interest expense	(6,151)
Total Non-operating revenues (expenses)	(6,151)
Change in net position	13,209
Net position, beginning of year	452,179
Net position, end of year	\$ 465,388

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, 2022**

	LOAN FUND
Cash flows from operating activities:	
Cash receipts from customers	\$ 49,858
Cash receipts from note receivable principal payments	424,660
Cash payments for new loans disbursed	(423,000)
Cash payments to suppliers for goods and services	(12,548)
Cash payments to other funds	8,701
Net cash provided by operating activities	47,671
Cash flows from non-capital financing activities:	
Principal paid on long-term debt	(214,673)
Advance on long-term debt	135,000
Interest paid on long-term debt	(6,151)
Net cash used for non-capital financing activities	(85,824)
Net decrease in cash and cash equivalents	(38,153)
Cash and cash equivalents - beginning	370,991
Cash and cash equivalents - ending	\$ 332,838
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 19,360
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in notes receivable	19,610
Increase (decrease) in due to other funds	8,701
Net cash provided by operating activities	\$ 47,671

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, 2022**

ASSETS

Cash	\$ 37,258
	<u>\$ 37,258</u>

NET POSITION

Assets held in trust for others	<u>\$ 37,258</u>
---------------------------------	------------------

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022**

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, 2022**

Major Funds

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

Fund	Brief Description
Major: 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, 2022

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, 2022

Leases

The District determines if an arrangement is or contains a lease at inception. The District has several leases under which it is obligated as a lessee. Leases in which the District is a lessee are included in right-of-use assets and lease liabilities on the consolidated statements of financial position. These assets and liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date discounted using an appropriate incremental borrowing rate. Options to extend or terminate a lease are included in the amount recognized to the extent that the District is reasonably certain to exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The District has elected the short-term lease exception under ASU 2016-02, Leases (ASC Topic 842) for all leases, and therefore, leases with an initial term of 12 months or less are not included on the consolidated statements of financial position.

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

Leasehold improvements are amortized over the shorter of the asset life or the life of the lease including renewal options.

SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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.

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."

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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.

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.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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.

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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.

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.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, the balance of \$1,178,363, net of allowance, in notes receivable consists of forty-four loans to local businesses.

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, 2022 the District has recorded an allowance of \$126,317.

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. LEASES

The District has recognized operating right-of-use assets (ROU) and lease liabilities for leases on its government-wide statement of net position. The District is obligated under numerous operating leases to pay base rent through the respective lease expiration dates. Leases primarily consist of equipment and real property for administrative use. The District has elected the short-term lease exception under Topic 842 for all leases and, as such, leases with an initial term of 12 months or less are not recorded on the government-wide statement of net position. The District recognizes lease expense for short-term leases on a straight-line basis over the lease term.

The total amount of leased assets and the related accumulated amortization by major class is as follows:

	<u>Leased Assets</u>	<u>Accumulated Amortization</u>
Buildings	\$ 50,109	\$ 2,505
Equipment - copiers	122,256	48,498
Total	<u>\$ 172,365</u>	<u>\$ 51,003</u>

For a summary of lease activity during the year ended June 30, 2022, see the schedule of changes in lease obligation.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

3.F. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Balance 7/1/21</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/22</u>
Governmental Activities:				
Capital assets being depreciated				
Buildings	\$ 1,035,009	\$ -	\$ -	\$ 1,035,009
Equipment	275,198	-	(8,545)	266,653
Total Capital assets being depreciated	<u>1,310,207</u>	<u>-</u>	<u>(8,545)</u>	<u>1,301,662</u>
Less accumulated depreciation for:				
Buildings	(251,119)	(25,878)	-	(276,997)
Equipment	(129,622)	(29,835)	8,545	(150,912)
Total accumulated depreciation	<u>(380,741)</u>	<u>(55,713)</u>	<u>8,545</u>	<u>(427,909)</u>
Governmental activities capital assets, net	<u>\$ 929,466</u>	<u>\$ (55,713)</u>	<u>\$ -</u>	<u>\$ 873,753</u>

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

Governmental Function: General and administrative \$ 55,713

3.G. ACCRUED LIABILITIES

Accrued expenses reported by governmental funds at June 30, 2022, consisted of accrued salaries and related accrued payroll expenses.

3.H. 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. 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.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>35</u>
	<u>81</u>

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, 2022, the employer contributions for the District were \$147,228 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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 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.

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/20	\$ 4,067,554	\$ 4,018,179	\$ 49,375
Changes for the year:			
Service cost	117,092	-	117,092
Interest	299,214	-	299,214
Differences between expected and actual experience	(559,020)	-	(559,020)
Changes of benefit terms	-	-	-
Changes in assumptions	542,691	-	542,691
Contributions-employer	-	141,958	(141,958)
Contributions-employees	-	-	-
Net investment income	-	1,039,625	(1,039,625)
Benefit payments, including refunds of employee contributions	(115,118)	(115,118)	-
Administrative expense	-	(3,111)	3,111
Other changes	-	-	-
Net changes	<u>284,859</u>	<u>1,063,354</u>	<u>(778,495)</u>
Balance at 6/30/21	<u>\$ 4,352,413</u>	<u>\$ 5,081,533</u>	<u>\$ (729,120)</u>

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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The District's net pension liability (asset)	\$ (23,758)	\$ (729,120)	\$ (1,300,245)

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, 2022, the District recognized pension expense (negative pension expense) of \$15,468.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 170,780	\$ 538,976
Net difference between projected and actual earnings on pension plan investments	-	555,028
Changes in assumptions	470,864	-
Contributions subsequent to the measurement date of 6/30/20	<u>147,228</u>	(Not applicable)
Total	<u>\$ 788,872</u>	<u>\$ 1,094,004</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," 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:

2023	\$ (107,525)
2024	(102,378)
2025	(91,123)
2026	(148,607)
2027	(2,721)
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$14,789 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

3.I. LONG-TERM DEBT

Governmental Activities

As of June 30, 2022, 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.	\$ 479,778
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Other Debt

Compensated absences	80,791
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**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Lease Liabilities

Building rental - Mitch Carter, annual installments of \$10,800 principal and interest including prime interest of 3.21% through May 2027. 47,493

Copier rental - Konica Minolta, annual installments of \$3,665 principal and interest including prime interest of 3.21% through April 2027. 15,406

Copier rental - Konica Minolta, annual installments of \$23,520 principal and interest including prime interest of 3.21% through November 2024 47,297

Total Lease Liabilities 110,196

Total Liabilities \$ 670,765

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

Business-type Activities

As of June 30, 2022, the business-type long-term debt of the District consisted of the following:

Notes Payable

RUS Notes Payable, beginning January 29, 1997, annual installments of \$78,230, including principal and interest of 1% through January 2023. \$ 73,882

RUS Notes Payable, beginning July 20, 2001, annual installments of \$14,858, including principal and interest of 1% through July 2028. 99,899

RUS Notes Payable, beginning February 3, 2003, annual installments of \$31,838, including principal and interest of 1% through February 2033. 322,429

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 104,192

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. 500,000

Total Business-type Activity Debt \$ 1,100,402

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	<u>Balance 7/1/2021</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2022</u>	<u>Due within one year</u>
<u>Governmental-type Activities</u>					
Notes Payable	\$ 520,105	\$ -	\$ 40,327	\$ 479,778	\$ 41,976
Lease Payable	68,690	66,403	24,897	110,196	34,307
Compensated Absences	118,691	-	37,900	80,791	-
Total governmental-type activities	<u>707,486</u>	<u>66,403</u>	<u>103,124</u>	<u>670,765</u>	<u>76,283</u>
<u>Business-type Activities</u>					
Notes Payable	1,180,076	135,000	214,674	1,100,402	116,332
Total	<u>\$ 1,887,562</u>	<u>\$ 201,403</u>	<u>\$ 317,798</u>	<u>\$ 1,771,167</u>	<u>\$ 192,615</u>

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for bonds and notes payable for the years subsequent to June 30, 2022, are as follows:

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Year Ending June 30,	<i>Notes Payable</i>				<i>Lease Payable</i>	
	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>		<u>Governmental-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 41,976	\$ 14,681	\$ 116,332	\$ 4,246	\$ 34,307	\$ 3,678
2024	43,343	13,314	42,875	3,821	33,330	4,754
2025	44,755	11,902	43,305	3,391	20,291	3,214
2026	46,213	10,444	43,738	2,958	13,375	2,290
2027	47,718	8,939	44,176	2,520	8,893	1,857
2028-2032	255,773	6,830	182,602	6,303	-	-
2033	-	-	23,182	-	-	-
	<u>\$ 479,778</u>	<u>\$ 66,110</u>	<u>\$ 496,210</u>	<u>\$ 23,239</u>	<u>\$ 110,196</u>	<u>\$ 15,793</u>

3.J. INTERFUND TRANSACTIONS AND BALANCES

Interfund Receivables and Payables

DUE TO:	<u>General</u>
DUE FROM:	
Loan Fund	<u>\$ 13,719</u>
	<u>\$ 13,719</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.

3.K. 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).

SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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.L. REVOLVING LINE OF CREDIT

The District has a \$400,000 line of credit, of which none was used at June 30, 2022. The credit line expires June 2, 2023 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, 2022.

NOTE 4. OTHER NOTES

4. A. COMMITMENTS AND CONTINGENCIES

The District is a guarantor of four Revolving Loan Fund notes with a balance of \$227,992 at June 30, 2022. 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.

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, 2022, 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.

4.C. NEWLY ADOPTED ACCOUNTING STANDARDS

During the year, the District implemented GASB Statement No. 87, Leases (GASBS No. 87). This standard enhances the relevance and consistency of information of the System's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASBS No. 87 is effective for fiscal years beginning after June 15, 2021. See Note 4.D. for a description of the effect of applying this standard on beginning net position.

4. D. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to correctly implement GASB 87 adopted on July 1, 2021, and discussed in Note 4.C. An entry was made to increase fund balance by \$10,782 on the governmental funds on the government-wide statement of activities while decreasing the lease liability and increasing the accumulated amortization related to the right-to-use asset.

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>	<u>2021</u>
Total pension liability								
Service Cost	\$ 107,243	\$ 92,559	\$ 95,212	\$ 104,185	\$ 108,622	\$ 137,599	\$ 126,578	\$ 117,092
Interest	168,275	176,961	200,888	216,871	220,597	264,220	278,083	299,214
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between actual and expected experience	(97,995)	125,446	11,852	(134,213)	360,908	(69,554)	21,616	(559,020)
Change of assumptions	-	-	-	65,172	-	-	-	542,691
Benefit payments, including refunds of employee contributions	(44,079)	(49,967)	(107,221)	(100,410)	(110,302)	(124,513)	(135,540)	(115,118)
Net change in total pension liability	133,444	344,999	200,731	151,605	579,825	207,752	290,737	284,859
Total pension liability - beginning	2,158,461	2,291,905	2,636,904	2,837,635	2,989,240	3,569,065	3,776,817	4,067,554
Total pension liability - ending (a)	\$ 2,291,905	\$ 2,636,904	\$ 2,837,635	\$ 2,989,240	\$ 3,569,065	\$ 3,776,817	\$ 4,067,554	\$ 4,352,413
Plan fiduciary net position								
Contributions - employer	\$ 165,723	\$ 166,488	\$ 161,796	\$ 132,304	\$ 156,627	\$ 138,630	\$ 145,537	\$ 141,958
Contributions - employee	-	-	-	-	-	-	-	-
Net investment income	354,866	80,483	73,668	327,703	270,193	264,453	189,722	1,039,625
Benefit payments, including refunds of employee contributions	(44,079)	(49,967)	(107,221)	(100,410)	(110,302)	(124,513)	(135,540)	(115,118)
Administrative expense	(1,196)	(1,583)	(2,325)	(2,477)	(4,426)	(3,347)	(3,009)	(3,111)
Net change in plan fiduciary net position	475,314	195,421	125,918	357,120	312,092	275,223	196,710	1,063,354
Plan fiduciary net position - beginning	2,080,381	2,555,695	2,751,116	2,877,034	3,234,154	3,546,246	3,821,469	4,018,179
Plan fiduciary net position - ending (b)	\$ 2,555,695	\$ 2,751,116	\$ 2,877,034	\$ 3,234,154	\$ 3,546,246	\$ 3,821,469	\$ 4,018,179	\$ 5,081,533
Net pension liability (asset) - ending (a) - (b)	\$ (263,790)	\$ (114,212)	\$ (39,399)	\$ (244,914)	\$ 22,819	\$ (44,652)	\$ 49,375	\$ (729,120)
Plan fiduciary net position as a percentage of total pension liability	111.51%	104.33%	101.39%	108.19%	99.36%	101.18%	98.79%	116.75%
Covered payroll	\$ 1,357,272	\$ 1,406,837	\$ 1,367,675	\$ 1,350,045	\$ 1,842,663	\$ 1,759,259	\$ 1,617,075	\$ 1,660,323
Net pension liability (asset) as a percentage of employee payroll	-19.44%	-8.12%	-2.88%	-18.14%	1.24%	-2.54%	3.05%	-43.91%

Notes to Schedule:

Changes of assumptions. In 2021, 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>	<u>2022</u>
Actuarially determined contribution	\$ 165,723	\$ 166,488	\$ 161,796	\$ 104,763	\$ 150,914	\$ 133,176	\$ 138,904	\$ 141,958	\$ 147,228
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>	<u>147,228</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>	<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	\$ 1,721,967
Contributions as a percentage to covered payroll	12.21%	11.83%	11.83%	9.80%	8.50%	7.88%	9.00%	8.55%	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, 2022**

Notes to Tennessee Consolidated Retirement System (TCRS) Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 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, 2022**

	<u>Local</u>	<u>Aging</u>	<u>ECD</u>	<u>Total</u>
REVENUES				
Intergovernmental revenues				
Federal Grants	\$ -	\$ 2,743,542	\$ 295,475	\$ 3,039,017
State of Tennessee	-	1,039,315	255,910	1,295,225
Resource sharing	-	789,349	75,629	864,978
In-kind services	-	106,220	-	106,220
Charges for services				
Membership fees	53,125	-	-	53,125
Local contracts	-	-	121,522	121,522
Public guardian fees	-	55,501	-	55,501
Administration fees	-	-	140,385	140,385
Other revenues				
Interest	426	-	-	426
Golf tournament	-	16,974	-	16,974
Other revenues	855	61,567	-	62,422
Total revenues	<u>54,406</u>	<u>4,812,468</u>	<u>888,921</u>	<u>5,755,795</u>
EXPENDITURES				
Salaries	366,451	988,261	318,983	1,673,695
Salaries - Covid19	-	22,828	77,896	100,724
Personnel expense	120,182	401,690	106,952	628,824
Personnel expense - Covid19	-	4,196	26,675	30,871
Office supplies	15,187	73,525	9,191	97,903
Office supplies - Covid19	-	57	1,394	1,451
Dues and publications	11,389	7,686	6,382	25,457
Utilities	-	31,680	6,781	38,461
Utilities - Covid19	-	-	2,434	2,434
Telephone and internet services	4,128	35,528	6,496	46,152
Telephone and internet services - Covid19	-	240	1,782	2,022
Professional services	30,000	55,022	26,666	111,688
Professional services - Covid19	-	-	3,044	3,044
Travel and training	53,516	49,233	18,726	121,475
Travel and training - Covid19	-	198	2,000	2,198
Operating supplies	1,623	15,752	1,918	19,293
Operating supplies - Covid19	-	1,749	675	2,424
Repairs and maintenance	11,489	13,789	4,184	29,462
Repairs and maintenance - Covid19	-	-	1,326	1,326
Insurance	206	21,046	4,349	25,601
Insurance - Covid19	-	275	1,100	1,375
Contracted services	11,960	2,505,045	-	2,517,005
Contracted services - Covid19	-	212,180	-	212,180
Meetings and luncheons	5,846	10,498	4,054	20,398
Miscellaneous	10,242	3,843	-	14,085
Occupancy	(103,491)	87,612	25,950	10,071
Occupancy - Covid19	-	-	8,826	8,826
Promotional materials	-	16,837	-	16,837
Principal	40,327	-	-	40,327
Interest	-	5,943	3,400	9,343
Interest - Covid19	-	5,788	1,202	6,990
Small equipment	-	5,788	-	5,788
Small equipment - Covid19	-	3,137	-	3,137
In-kind expenses	-	106,220	-	106,220
Administrative costs	(554,365)	382,812	132,816	(38,737)
Administrative costs - Covid19	-	14,509	23,120	37,629
Total expenditures	<u>24,690</u>	<u>5,082,967</u>	<u>828,322</u>	<u>5,935,979</u>
NET CHANGE IN FUND BALANCE	<u>\$ 29,716</u>	<u>\$ (270,499)</u>	<u>\$ 60,599</u>	<u>\$ (180,184)</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, 2022

	Local Planning	Community Development	Rural Planning	Grant Administration	TACIR	Solid Waste	Historic Preservation	THDA	EDA-CEDS	EDA CARES	RLF CARES	DRA	Total
REVENUES													
Intergovernmental revenues													
Federal Grants	\$ -	\$ -	\$ 47,278	\$ -		\$ -	\$ 26,723	\$ -	\$ 70,000	\$ 131,698	\$ 19,776	\$ -	\$ 295,475
State of Tennessee	-	230,000	5,910	-	-	-	-	20,000	-	-	-	-	255,910
Resource Sharing	-	-	-	-	59,629	-	-	-	-	-	-	16,000	75,629
Charges for services													
Local contracts	102,369	-	-	-	-	17,200	1,953	-	-	-	-	-	121,522
Administration fees	-	-	-	130,385	-	-	-	10,000	-	-	-	-	140,385
Total revenues	<u>102,369</u>	<u>230,000</u>	<u>53,188</u>	<u>130,385</u>	<u>59,629</u>	<u>17,200</u>	<u>28,676</u>	<u>30,000</u>	<u>70,000</u>	<u>131,698</u>	<u>19,776</u>	<u>16,000</u>	<u>888,921</u>
EXPENDITURES													
Salaries	41,487	-	40,959	101,275	6,879	7,583	33,615	6,917	77,861	65,400	14,903	-	396,879
Personnel expense	15,154	-	13,622	33,160	2,168	2,532	12,097	2,479	25,740	23,059	3,616	-	133,627
Office supplies	769	-	930	2,941	671	176	815	335	1,183	2,425	340	-	10,585
Dues and publications	-	-	-	3,657	-	50	25	-	2,650	-	-	-	6,382
Utilities	445	-	917	1,966	800	455	892	376	930	2,274	160	-	9,215
Telephone and internet services	328	-	1,164	2,455	136	77	1,121	41	1,174	1,454	328	-	8,278
Professional services	-	-	26,666	-	-	-	-	-	-	3,000	44	-	29,710
Travel and training	5,803	-	3,141	4,360	-	1,085	2,225	1,024	1,088	2,000	-	-	20,726
Operating supplies	126	-	268	601	179	128	261	108	247	642	33	-	2,593
Repairs and maintenance	649	-	501	1,079	433	249	489	213	571	1,245	81	-	5,510
Insurance	309	-	622	1,403	241	-	758	196	820	1,044	56	-	5,449
Meetings and luncheons	3,155	-	265	-	-	-	-	262	372	-	-	-	4,054
Occupancy	2,181	-	3,148	8,028	2,321	1,712	3,094	2,037	3,429	8,561	265	-	34,776
Interest	223	-	470	1,050	334	228	457	187	451	1,137	65	-	4,602
Administrative applied	16,084	-	16,775	39,459	2,747	1,472	12,658	2,779	31,584	26,100	6,278	-	155,936
	<u>86,713</u>	<u>-</u>	<u>109,448</u>	<u>201,434</u>	<u>16,909</u>	<u>15,747</u>	<u>68,507</u>	<u>16,954</u>	<u>148,100</u>	<u>138,341</u>	<u>26,169</u>	<u>-</u>	<u>828,322</u>
NET CHANGE IN FUND BALANCE	<u>\$ 15,656</u>	<u>\$ 230,000</u>	<u>\$ (56,260)</u>	<u>\$ (71,049)</u>	<u>\$ 42,720</u>	<u>\$ 1,453</u>	<u>\$ (39,831)</u>	<u>\$ 13,046</u>	<u>\$ (78,100)</u>	<u>\$ (6,643)</u>	<u>\$ (6,393)</u>	<u>\$ 16,000</u>	<u>\$ 60,599</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, 2022**

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<u>FEDERAL AWARDS</u>			
U.S. Department of Agriculture			
Pass through the Tennessee Commission on Aging and Disability Supplemental Nutrition Assistance Program (SNAP) Food Stamp Program	10.561		\$ 34,562
Total U.S. Department of Agriculture			<u>34,562</u>
U.S. Department of Commerce			
Economic Development Administration			
Economic Development - Support for Planning Organizations	11.302		70,000
Economic Adjustment Assistance Program - CARES RLF	11.307		507,312
Economic Adjustment Assistance Program - CARES RLF Admin	11.307		19,776
Economic Adjustment Assistance Program - CARES	11.307		<u>131,698</u>
Total U.S. Department of Commerce			<u>728,786</u>
U.S. Department of Interior			
Pass through the State of TN Dept of Environment & Conservation, TN Historical Commission			
Historic Preservation Fund Grants-in-Aid	15.904		<u>26,723</u>
Total U.S. Department of Interior			<u>26,723</u>
U.S. Department of Transportation			
Pass through the State of TN Dept. of Transportation			
Highway Planning and Construction (Rural Planning Organization)	20.205		<u>87,515</u>
Total U.S. Department of Transportation			<u>87,515</u>

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<u>FEDERAL AWARDS - continued</u>			
U.S. Department of Health and Human Services			
Pass through the Tennessee Commission on Aging and Disability Crime Victim Assistance VOCA Collaborative Response to Elder and Vulnerable Adult Abuse	16.575		<u>100,703</u>
Special Programs for the Aging, Title VII, Chapter 3, Programs for the Prevention of Elder Abuse, Neglect and Exploitation	93.041		<u>3,700</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>25,517</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	*	437,485
Older American Act to vaccinate elderly or individuals with disabilities	93.044	*	59,200
Coronavirus Aid, Relief, and Economic Security (CARES) Act	93.044	*	51,672
Pass through the Tennessee Commission on Aging and Disability Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	*	1,083,858
Coronavirus Aid, Relief, and Economic Security (CARES) Act	93.045	*	124,976
Nutrition Services Incentive Program Total Nutrition Services Incentive Program	93.053	*	<u>98,098</u> <u>98,098</u>
Total for Aging Cluster (93.044, 93.045, 93.053)			<u>1,855,289</u>
ADRC COVID grant execution	93.048		4,886
Special Programs for the Aging, Title III, Part E, National Family Caregiver Support, Title III, Part E	93.052		236,544
Coronavirus Aid, Relief, and Economic Security (CARES) Act	93.052		73,332
MIPPA to enhance SHIP counseling & enrollment assistance	93.071		39,969
SHIP to disseminate information	93.324		5,202
CARES reentry assistance funding	93.747		4,503
Medical Assistance Program (Home and Community Based Services Waiver)	93.778		<u>323,845</u>
Total U.S. Department of Health and Human Services			<u>2,694,490</u>
Total Federal Awards			<u>\$ 3,572,076</u>

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<u>STATE FINANCIAL ASSISTANCE</u>			
Tennessee Commission on Aging			
State Senior Centers Operations	N/A		\$ 81,000
State Home Delivered Meals	N/A		32,097
State Homemaker	N/A		17,090
State Caregiver	N/A		22,800
State Guardianship	N/A		120,001
Options for Community Living Program	N/A		<u>539,499</u>
Total Tennessee Commission on Aging			<u>812,487</u>
Tennessee Department of Economic and Community Development			
Appropriation Grant	N/A		<u>230,000</u>
Tennessee Department of Finance and Administration			
Home and Community Based Services Waiver	N/A		<u>323,845</u>
Tennessee Department of Transportation			
Rural Transportation Planning Organization	N/A		<u>13,606</u>
Tennessee Housing Development Agency			
HOME Investment Partnership Program	N/A		<u>20,000</u>
Total State Financial Assistance			<u>1,399,938</u>
Total Federal Awards and State Financial Assistance			<u>\$ 4,972,013</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 (\$31,903) + Outstanding loan balances (\$472,156) + Administrative costs (\$3,253)) multiplied by federal share (100%) equals \$507,312.

* Denotes a major program

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
 SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - GENERAL LONG-TERM DEBT
 JUNE 30, 2022**

Year Ending June 30,	2013 Building Loan	
	Principal	Interest
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	255,773	6,830
	<u>\$ 479,778</u>	<u>\$ 66,110</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, 2022**

Year Ending June 30,	Industrial Relending Fund I		Industrial Relending Fund II		Industrial Relending Fund III		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 73,882	\$ -	\$ 13,847	\$ 1,011	\$ 28,603	\$ 3,235	\$ 116,332	\$ 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	-	-	14,701	157	30,362	1,476	45,063	1,633
2030	-	-	-	-	30,665	1,172	30,665	1,172
2031	-	-	-	-	30,973	865	30,973	865
2032	-	-	-	-	31,282	556	31,282	556
2033	-	-	-	-	23,182	-	23,182	-
	<u>\$ 73,882</u>	<u>\$ -</u>	<u>\$ 99,899</u>	<u>\$ 4,107</u>	<u>\$ 322,429</u>	<u>\$ 19,132</u>	<u>\$ 496,210</u>	<u>\$ 23,239</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, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Governmental Activities									
NOTES PAYABLE									
Payable through General Fund Bancorp South	\$ 802,016	3.21%	5/10/2013	5/10/2028	\$ 520,105	\$ -	\$ 40,327	\$ -	\$ 479,778
Business-Type Activities									
NOTES PAYABLE									
Payable through Loan Fund									
RUS Notes Payable	\$1,845,000	1.00%	1/29/1997	1/29/2023	\$ 150,695	\$ -	\$ 76,813	\$ -	\$ 73,882
RUS Notes Payable	350,000	1.00%	7/20/2001	7/20/2028	113,621	-	13,722	-	99,899
RUS Notes Payable	750,000	1.00%	2/3/2003	2/3/2033	350,760	-	28,331	-	322,429
TOTAL NOTES PAYABLE - Payable through Loan Fund					\$ 615,076	\$ -	\$ 118,866	\$ -	\$ 496,210
OTHER LOANS PAYABLE									
Payable through Loan Fund									
TN Ag Enhancement Program Revolving Loan	\$ 200,000	0.00%	2/15/2019	2/15/2024	\$ 200,000	\$ -	\$ 95,808	\$ -	\$ 104,192
Loan Advances for EDA Cares RLF	\$ 365,000	0.00%	7/24/2020	7/24/2022	365,000	135,000	-	-	500,000
					\$ 565,000	\$ 135,000	\$ 95,808	\$ -	\$ 604,192

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

SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
JUNE 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Restated Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding 6/30/2022
Governmental Activities									
LEASES PAYABLE									
Payable through General Fund									
Building Rental - 217 N Liberty Street	\$ 50,109	3.21%	5/1/2022	5/1/2027	\$ -	\$ 50,109	\$ 2,616	\$ -	\$ 47,493
Konica Minolta - copier	16,294	3.21%	4/25/2022	4/25/2027	-	16,294	888	-	15,406
Konica Minolta - copier	105,962	3.21%	11/20/2019	11/20/2024	<u>68,690</u>	<u>-</u>	<u>21,393</u>	<u>-</u>	<u>47,297</u>
TOTAL LEASES PAYABLE					<u>\$ 68,690</u>	<u>\$ 66,403</u>	<u>\$ 24,897</u>	<u>\$ -</u>	<u>\$ 110,196</u>

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

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
SCHEDULE OF LEASE OBLIGATIONS - PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
JUNE 30, 2022**

Year Ending June 30,	Building Lease - Liberty		Konica		Konica		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 10,139	\$ 661	\$ 3,440	\$ 224	\$ 20,728	\$ 2,793	\$ 34,307	\$ 3,678
2024	9,914	986	3,333	331	20,083	3,437	33,330	4,754
2025	10,575	1,425	3,230	435	6,486	1,354	20,291	3,214
2026	10,246	1,754	3,129	536	-	-	13,375	2,290
2027	6,619	1,382	2,274	475	-	-	8,893	1,857
	<u>\$ 47,493</u>	<u>\$ 6,208</u>	<u>\$ 15,406</u>	<u>\$ 2,001</u>	<u>\$ 47,297</u>	<u>\$ 7,584</u>	<u>\$ 110,196</u>	<u>\$ 15,793</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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated October 24, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Godwin & Associates, PLLC

October 24, 2022



**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

Opinion on Each Major Federal Program

We have audited the Southwest Tennessee Development District's (the District's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

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

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

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

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



October 24, 2022

**SOUTHWEST TENNESSEE DEVELOPMENT DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022**

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, 2022**

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
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