

**NORTHWEST TENNESSEE ECONOMIC  
DEVELOPMENT COUNCIL**

**FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL  
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**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL  
DIRECTORY OF OFFICIALS**

June 30, 2020

**Board of Directors**

Elected County Mayors

Brett Lashlee	Joseph Butler
Gary Reasons	Chris Young
Tom Witherspoon	Brent Greer
Denny Johnson	Benny McGuire
Jennifer Tharpe Killebrew	

Private Sector

Brad Hurley	Tommy Smith
James Luvene	William Clanton
Michelle Atkins	Debbie Bradley
Patsy Barker	Marti Herndon

Low-Income Sector

Pravice Jamison	Judy Posey
Robena Smith	George Bass
Patsy Ekwegbalu	Brenda Enochs
Toni Witherspoon	

**Executive Director**

Don Ridgeway, Executive Director

**Key Employees**

Tracy Webb, Interim Head Start Co-Director  
Cheryl Oglesby-Townes, Interim Head Start Co-Director  
Rakaya Humphreys, Head Start/Early Head Start Director  
Teena Smith, Finance Director



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## Independent Auditor's Report

Board of Directors  
Northwest Tennessee Economic Development Council  
Dresden, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northwest Tennessee Economic Development Council as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northwest Tennessee Economic Development Council as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other postemployment benefit schedules as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwest Tennessee Economic Development Council's basic financial statements. The directory of officials, 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*, and schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021, on our consideration of the Northwest Tennessee Economic Development Council'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 Council'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 Northwest Tennessee Economic Development Council's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
February 3, 2021

## Management's Discussion and Analysis

As management of the Northwest Tennessee Economic Development Council, we offer readers of the financial statements for the Council this narrative overview and analysis of the financial activities for the year ended June 30, 2020. We encourage the readers to consider the information here in conjunction with the Independent Auditor's Report and the Council's financial statements. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

### Financial Highlights

- The assets of the Council exceeded its liabilities at June 30, 2020, by \$1,513,528. Net position decreased by \$234,231 from the prior year. The main component of the decrease in net position was depreciation of \$351,777 on capital assets.
- As of the close of the current fiscal year, the Council reported combined ending fund balance of \$264,747, an increase of \$12,984 from the previous year. Of this balance, \$184,452 is available for spending at the Council's discretion (*unassigned fund balance*) and \$80,295 is restricted for grant programs.
- At the end of the current fiscal year, the unassigned fund balance of \$184,452 was 0.9% of total governmental fund expenditures, comparable to the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to 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 Council's finances, in a manner similar to a private-sector business.

The *statement of activities* presents information showing how the government'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 in this statement for some items that will only result in cash flow in future fiscal periods (e.g., grant funds receivable).

The government-wide financial statements distinguish functions that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities). The Council's governmental activities include grant program administration, finance and support services. The Council has no business-type activities to 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 Council, 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 Council can be grouped into one category: governmental funds.

**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 evaluating a government's near-term financial 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 Council maintains two individual governmental funds. 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 and the special revenue fund. Both funds are considered major funds. The Council has no non-major funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplementary information.** The Governmental Accounting Standards Board requires certain information be presented to supplement the basic financial statements. The GASB considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Council is required to present certain schedules related to other postemployment benefits as a result of a new standard effective for the current fiscal year. The required supplementary information is presented immediately following the Notes to the Financial Statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets exceeded liabilities by \$1,513,528 at the close of the fiscal year ended June 30, 2020.

A large portion of the Council's net position reflects its investment in capital assets (e.g., buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The Council uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

During the current fiscal year, the Council's total net position decreased by \$234,231. This was the result of assets increasing by \$1,099,782 and liabilities, including deferred outflows and inflows relating to other postemployment benefits, increasing by \$1,334,013. Current assets increased by \$1,318,960, mainly in grants receivable. Capital assets decreased by \$219,178, the net result of depreciation exceeding capital outlay additions for the current year. Liabilities increased, mainly in accounts payable related to grant expenditures.

The following table provides a summary of the Council's net position for the years ended June 30, 2020 and 2019.

### Condensed Statements of Net Position

	Governmental Activities <u>June 30, 2020</u>	Governmental Activities <u>June 30, 2019</u>
<b>Assets</b>		
Current assets	\$ 1,902,076	\$ 583,116
Capital assets - net of accumulated depreciation	<u>1,544,445</u>	<u>1,763,623</u>
Total assets	<u>3,446,521</u>	<u>2,346,739</u>
<b>Deferred outflows of resources</b>	<u>29,699</u>	<u>12,410</u>
<b>Liabilities</b>		
Long-term liabilities	286,664	245,104
Other liabilities	<u>1,637,329</u>	<u>331,353</u>
Total liabilities	<u>1,923,993</u>	<u>576,457</u>
<b>Deferred inflows of resources</b>	<u>38,699</u>	<u>34,933</u>
<b>Net position</b>		
Investment in capital assets	1,544,445	1,763,623
Restricted	80,295	89,996
Unrestricted	<u>(111,212)</u>	<u>(105,860)</u>
Total net position	<u>\$ 1,513,528</u>	<u>\$ 1,747,759</u>

The table below summarizes the changes in net position for fiscal years 2020 and 2019.

### Condensed Statements of Activities

	Governmental Activities <u>June 30, 2020</u>	Governmental Activities <u>June 30, 2019</u>
<b>Revenues</b>		
Program revenues		
Operating grants and contributions	\$ 19,971,883	\$ 18,969,835
Capital grants and contributions	-	-
General revenues		
Interest	498	627
Other miscellaneous revenues	<u>130,935</u>	<u>146,711</u>
Total revenues	<u>20,103,316</u>	<u>19,117,173</u>
<b>Expenses</b>		
Child education	14,582,547	12,952,761
Home energy assistance	3,519,784	4,405,923
Community services programs	623,390	638,774
Food	1,475,371	1,355,463
Support services	<u>136,455</u>	<u>134,718</u>
Total expenses	<u>20,337,547</u>	<u>19,487,639</u>
<b>Change in net position</b>	<u>\$ (234,231)</u>	<u>\$ (370,466)</u>

Program revenues from grants and contributions provide substantially all revenues for governmental activities, which are expended primarily on child education and home energy assistance programs. Grants and contributions increased by \$1 million, mainly in Head Start programs, which increased by \$1.8 million. Revenue from home energy assistance programs decreased by \$886 thousand. Expenses increased by \$850 thousand, which includes depreciation expense on capital assets of \$352 thousand.

The following table shows net revenue or expense for each program or function of the Council.

	June 30, 2020			2019
	Revenues	Expenses	Net	Net
Program activities:				
Child education	\$ 14,366,682	\$ 14,582,547	\$ (215,865)	\$ (364,996)
Home energy assistance	3,519,784	3,519,784	-	-
Community services programs	610,190	623,390	(13,200)	(1,965)
Food	1,475,227	1,475,371	(144)	(16,125)
Support services:				
Corporate activities	-	136,455	(136,455)	(134,718)
<b>Total</b>	<b>\$ 19,971,883</b>	<b>\$ 20,337,547</b>	<b>\$ (365,664)</b>	<b>\$ (517,804)</b>

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the Council's *governmental funds* is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$264,747. Of this amount, \$184,452 constitutes *unassigned fund balance* in the general fund, which is available for spending at the Council's discretion and \$80,295 was restricted for grant programs and reported in the special revenue fund.

As a measure of the Council's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 0.9% of the total governmental fund expenditures, which indicates that the majority of funds received are spent on program activities, rather than retained and accumulated.

### Capital Assets

The Council's investment in capital assets as of June 30, 2020 amounts to \$1,544,445 net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles and equipment. The majority of capital assets are accounted for in the Head Start program for child education. During the current fiscal year, there were capital asset additions of \$132,599 offset by depreciation of \$351,777, for a net change from the prior year of (\$219,178).

### Requests for Information

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Northwest Tennessee Economic Development Council, 231 South Wilson Street, Dresden, Tennessee 38225.

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**STATEMENT OF NET POSITION**  
June 30, 2020

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 17,236
Accounts receivable	57,138
Grants receivable	1,488,007
Inventory	339,695
Land	114,279
Construction in process	24,060
Capital assets being depreciated, net:	
Buildings and improvements	1,230,056
Equipment	109,395
Vehicles	66,655
Total capital assets	1,544,445
<b>Total assets</b>	<b>3,446,521</b>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows related to other postemployment benefits	29,699
 <b>Liabilities</b>	
Bank overdraft	273,774
Accounts payable	1,023,860
Grant advancements	339,695
Noncurrent liabilities:	
Other postemployment benefits liability	286,664
<b>Total liabilities</b>	<b>1,923,993</b>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows related to other postemployment benefits	38,699
 <b>Net Position</b>	
Investment in capital assets	1,544,445
Restricted	80,295
Unrestricted	(111,212)
<b>Total net position</b>	<b>\$ 1,513,528</b>

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

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2020

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental activities:				
Program activities				
Child education	\$ 14,582,547	\$ 14,366,682	\$ -	\$ (215,865)
Home energy assistance program	3,519,784	3,519,784	-	-
Community services programs	623,390	610,190	-	(13,200)
Food	<u>1,475,371</u>	<u>1,475,227</u>	-	<u>(144)</u>
Total program activities	20,201,092	19,971,883	-	(229,209)
Support services				
Corporate activities	<u>136,455</u>	-	-	<u>(136,455)</u>
Total governmental activities	<u>\$ 20,337,547</u>	<u>\$ 19,971,883</u>	<u>\$ -</u>	<u>(365,664)</u>
General revenues:				
				498
				<u>130,935</u>
				<u>131,433</u>
				<b>(234,231)</b>
				<u>1,747,759</u>
				<u>\$ 1,513,528</u>

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

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 17,236	\$ 17,236
Accounts receivable	56,988	150	57,138
Grants receivable	-	1,488,007	1,488,007
Due from other fund	403,634	-	403,634
Inventory - commodities	-	339,695	339,695
	<b>\$ 460,622</b>	<b>\$ 1,845,088</b>	<b>\$ 2,305,710</b>
<b>Liabilities and fund balances</b>			
Liabilities			
Bank overdraft	\$ 273,774	\$ -	\$ 273,774
Accounts payable	2,396	1,021,464	1,023,860
Grant advancements	-	339,695	339,695
Due to other fund	-	403,634	403,634
Total liabilities	276,170	1,764,793	2,040,963
Fund balances			
Restricted	-	80,295	80,295
Unassigned	184,452	-	184,452
Total fund balances	184,452	80,295	264,747
<b>Total liabilities and fund balances</b>	<b>\$ 460,622</b>	<b>\$ 1,845,088</b>	<b>\$ 2,305,710</b>

Reconciliation of fund balance of governmental funds to net position of governmental activities

Fund balance of governmental funds shown above	\$ 264,747
Amounts reported for the governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	1,544,445
Long-term liabilities are not expected to be paid in the current period and, therefore, are not reported in the funds.	(295,664)
Net position of governmental activities	\$ 1,513,528

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

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
For the year ended June 30, 2020

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Grants	\$ -	\$ 19,200,261	\$ 19,200,261
Commodities	-	764,871	764,871
Contributions	-	6,750	6,750
Interest income	498	-	498
Other	121,615	9,323	130,938
Total revenues	122,113	19,981,205	20,103,318
<b>Expenditures</b>			
Personnel	433	10,146,720	10,147,153
Consultants and contract labor	105	462,339	462,444
Travel	-	306,069	306,069
Occupancy/building maintenance	1,948	1,233,899	1,235,847
Consumable supplies	58	1,429,256	1,429,314
Communications	1	256,688	256,689
Equipment/maintenance	-	606,313	606,313
Other program support	96,433	815,242	911,675
Postage, printing and publications	-	42,774	42,774
Client benefits	-	3,714,574	3,714,574
Assistance to other programs	-	9,698	9,698
Small equipment	-	202,463	202,463
Commodity food	-	764,871	764,871
Interest	450	-	450
Total expenditures	99,428	19,990,906	20,090,334
<b>Revenues over (under) expenditures</b>	<b>22,685</b>	<b>(9,701)</b>	<b>12,984</b>
Fund balances - beginning	161,767	89,996	251,763
Fund balances - ending	\$ 184,452	\$ 80,295	\$ 264,747

Net change in fund balance of governmental funds shown above \$ 12,984

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeded capital outlay in the current period. (219,178)

Expenses reported in the statement of activities for other postemployment benefits do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (28,037)

Change in net position of governmental activities \$ (234,231)

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

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2020

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

The Northwest Tennessee Economic Development Council is a private, nonprofit, community-based organization created for the purpose of helping to eliminate poverty through community action. The Council serves the Tennessee counties of Benton, Carroll, Crockett, Dyer, Gibson, Henry, Lake, Madison, Obion, Weakley, Lauderdale, Tipton, and Fayette. It is governed by a board of directors comprised of elected public officials and low-income individuals representing the counties served and members of the business, labor, religious, education, and other major groups in the community, selected by the board. The Northwest Tennessee Economic Development Council is primarily supported through federal and state government grants. For the year ended June 30, 2020, approximately 72% of the Council's grant revenue was provided under Head Start grants from the federal government.

The Northwest Tennessee Economic Development Council is a quasi-governmental agency. The financial statements of the Council have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Council are described below.

**A. Reporting Entity**

The Northwest Tennessee Economic Development Council's basic financial statements include all Council operations. The criteria for including organizations as component units within the Council's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Council holds the corporate powers of the organization
- the Council appoints a voting majority of the organization's board
- the Council is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Council
- there is fiscal dependency by the organization on the Council

Based on the aforementioned criteria, the Council has no component units.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Council. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment. Other items not properly included among program revenues are reported as general revenues.

The Council is comprised of only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Council reports the following major governmental funds:

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2020

The General Fund is the Council's primary operating fund. It accounts for all financial resources that are not required to be accounted for in a separate fund by law or contractual agreement. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.

The Special Revenue Fund accounts for the program activities of the Council, which include economic development and rehabilitation, home energy assistance, Head Start, and other social service programs. Revenues for the programs are provided mainly through federal and state financial aid. Expenditures in excess of program funding are financed with transfers from the General Fund.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

In general, federal and state 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. All other revenue items are considered to be measurable and available only when cash is received by the Council.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**E. Assets, Liabilities, Revenues, Expenditures, and Fund Balances**

**Deposits and Investments**

The Council's cash and cash equivalents are considered to be cash on hand, demand deposits at financial institutions, and highly liquid investments with an original maturity of three months or less. State statutes authorize the Council to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the State pooled investment fund. The Council held no investments at June 30, 2020.

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**Receivables and Payables**

In governmental funds, federal, state, and local agency entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Program funds authorized from such agencies primarily for reimbursement of allowable costs incurred up to amounts contracted for under each grant are accounted for at the time such costs are incurred. Since the accounting cycles for the individual grants do not necessarily coincide with the Council's fiscal year, assets and liabilities may exist at the Council's balance sheet date relative to grant funds receivable or received in advance.

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned grant revenue is reported as grant advancements in the accompanying financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

**Inventory**

Inventory is comprised of food commodities received but not yet distributed. The value of commodities is based on valuations from the State of Tennessee Department of Agriculture. The Council includes inventory as of June 30 in grant funds received in advance; therefore, there is not a corresponding portion of fund balance to be allocated as nonspendable.

**Capital Assets**

Capital assets, including property, vehicles, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight line method over the following useful lives:

Buildings	15 – 25 years
Equipment	3 years
Vehicles	5 years

Property and equipment purchased with grant funds are owned by the Northwest Tennessee Economic Development Council while used in the program for which they were purchased or in future authorized programs. However, the various funding sources have reversionary interest in the property and equipment purchased with grant funds. The disposition of property and equipment, as well as the ownership of any proceeds therefrom, is subject to funding source regulations.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Council had deferred outflows related to other postemployment benefits. See Note 5C for details.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition

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of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Council has deferred inflows related to postemployment benefits. See Note 5C for details concerning these items.

**Other Postemployment Benefits (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Local Government OPEB Plan administered by the Tennessee Department of Finance and Administration, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the State. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Local Government OPEB Plan.

**Net Position Flow Assumption**

Sometimes the Council 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Council's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Policies**

In the governmental fund financial statements, fund balances are classified as follows:

- Restricted – amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions
- Unassigned – all amounts in the general fund not included in other spendable classifications

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Council's policy to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances, before using unassigned fund balances. As of June 30, 2020, the Council had restricted \$80,295 for state and local grants.

**Cost Allocations**

Joint costs are allocated to benefiting programs using various methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all Council programs, which cannot be readily identified with a final cost objective. Costs are allocated as follows:

Personnel – Administrative and financial personnel are allocated to programs based on the percentage of direct program expense to total government-wide direct expense. This allocation method has been approved by the U.S. Department of Health and Human Services.

Space Costs – Depreciation and utilities are allocated to benefiting programs based on the square footage of usable space occupied by the program.

Insurance – Insurance is allocated to benefiting programs depending on the equipment or space covered by the insurance. Any Council liability insurance is allocated based on the ratio of direct labor expenses to total Council direct labor expenses.

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Other joint costs (excluding telephone and postage) are allocated to programs based on program direct labor costs to total Council direct labor costs. Telephone and postage are charged directly to programs based on actual usage.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” Details of this \$1,544,445 difference are as follows:

Governmental funds capital assets	\$ 9,073,334
Less: accumulated depreciation	<u>(7,528,889)</u>
Net adjustment	<u>\$ 1,544,445</u>

The statement of revenues, expenditures, and changes in fund balances – governmental funds includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. That reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$219,178 difference are as follows:

Capital outlay	\$ 132,599
Less: depreciation expense	<u>(351,777)</u>
Net adjustment	<u>\$ (219,178)</u>

**NOTE 3 – BUDGETARY INFORMATION**

The Council receives funds under numerous grants and contracts with various budget cycles. Since these budgets do not relate in a meaningful way to the fiscal year information presented, no budgetary comparisons have been included in these financial statements.

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**A. Bank Deposits**

*Custodial Credit Risk* – The Council’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Council’s agent in the Council’s name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2020, all bank deposits were fully collateralized or insured.

**B. Interfund Balances**

Interfund balances represent amounts provided by the General Fund to meet temporary cash needs of the Special Revenue Fund in anticipation of receiving grant reimbursements.

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**C. Capital Assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 53,200	\$ 61,079	\$ -	\$ 114,279
Construction in process	-	24,060	-	24,060
Capital assets, being depreciated				
Buildings and improvements	5,662,257	25,397	-	5,687,654
Equipment	2,014,144	22,063	-	2,036,207
Vehicles	1,211,134	-	-	1,211,134
Total	<u>8,887,535</u>	<u>47,460</u>	<u>-</u>	<u>8,934,995</u>
Less accumulated depreciation for				
Buildings and improvements	4,249,460	208,138	-	4,457,598
Equipment	1,821,304	105,508	-	1,926,812
Vehicles	1,106,348	38,131	-	1,144,479
Total	<u>7,177,112</u>	<u>351,777</u>	<u>-</u>	<u>7,528,889</u>
Total being depreciated, net	<u>1,710,423</u>	<u>(304,317)</u>	<u>-</u>	<u>1,406,106</u>
Governmental activities capital assets, net	<u>\$ 1,763,623</u>	<u>\$ (219,178)</u>	<u>\$ -</u>	<u>\$ 1,544,445</u>

Depreciation expense of \$320,177 was charged to the child education function/program of the Council and \$31,600 was charged to corporate activities for the year ended June 30, 2020.

**D. Lease Agreements**

The Council leases various facilities in which to operate its programs. Rent expense for the year ended June 30, 2020, was \$104,963. Future minimum lease payments for non-cancelable leases with remaining terms in excess of one year are as follows:

Year ending June 30, 2021	\$ 67,950
Year ending June 30, 2022	39,000
Year ending June 30, 2023	33,000
Year ending June 30, 2024	31,400
Year ending June 30, 2025	<u>28,200</u>
Total	<u>\$ 199,550</u>

**NOTE 5 – OTHER INFORMATION**

**A. Risk Management**

The Northwest Tennessee Economic Development Council is exposed to various risks related to general liability and property and casualty losses. The Council joined The Tennessee Municipal League Risk Management Pool which is a public entity risk pool. The Council pays an annual premium to the TML Pool for its general and personal liability, property, casualty, and errors and

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omissions insurance coverage. The TML Pool is designed to be self-sustaining through member premiums.

The Council continues to carry commercial insurance for all other risks of loss, including workers compensation, employee health and accident. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Retirement Plan**

The Council has the Northwest Tennessee Economic Development Council Profit Sharing Plan, a non-participatory, defined contribution retirement plan administered by Ameritas Life Insurance Corp. The Plan covers substantially all employees of the Northwest Tennessee Economic Development Council. Employees who have completed six months of service and are age 18 or older are eligible to participate in the Plan. Employees must be employed at the end of the plan year to be eligible for employer contributions. However, if a participant terminates employment prior to the end of the plan year, they must work at least 500 hours during the plan year to be eligible for employer contributions. The Plan is funded by discretionary employer profit sharing contributions. The Council contributed \$425,637 for the plan year ended June 30, 2019, which is the most recent information available.

Each participant's account is credited with the Employer's contributions, forfeitures, and fund earnings. Plan earnings are allocated based on individual fund balances at the end of the previous plan year less withdrawals during the plan year. The Employer's contribution and forfeitures are allocated in proportion to each individual's total compensation for the plan year relative to the total compensation of all eligible employees in the plan. Employees become vested according to the following schedule:

0 to 1 year	0%
2 years	20%
3 years	50%
4 years	60%
5 years	80%
6 years	100%

Forfeitures of non-vested participant balances are allocated to all participants eligible to share in allocations. There were no forfeitures for the plan year ended June 30, 2019.

Although it has not expressed any intent to do so, the Company has the right under the plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination of the Plan, the interests of all participants and beneficiaries accrued to the date of the termination become non-forfeitable.

**C. Other Postemployment Benefits**

***General Information about the Headstart OPEB Plan***

*Plan description.* Employees of Northwest Tennessee Head Start are provided with pre-65 retiree health insurance benefits through Obion County's participation in the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). All eligible pre-65 retired employees and disability participants of local governments who choose coverage participate in the LGOP.

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The Tennessee Department of Finance and Administration issues a publicly available financial report that can be obtained by writing to Tennessee Department of Financial and Administration, 312 Rosa L. Parks Avenue, Nashville, Tennessee, 37243, or it may be found at the Tennessee Department of Finance and Administration website at [www.tn.gov](http://www.tn.gov).

*Benefits provided.* Northwest Tennessee Head Start offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO, or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Northwest Tennessee Head Start does not directly subsidize their pre-65 retiree insurance premiums and, therefore, are only subject to the implicit subsidy. The LGOP is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

*Employees covered by benefit terms.* At the measurement date of July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>227</u>
Total employees	<u>227</u>

An insurance committee created in accordance with TCA 8-27-701 establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2020, Northwest Tennessee Head Start paid \$2,014 to the LGOP for OPEB benefits as they came due.

***Total OPEB Liability***

At June 30, 2020, Northwest Tennessee Head Start reported a liability of \$222,103 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2019, determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.03 percent for pre-65 and 5.20 percent for post-65 in 2019, decreasing annually over a 10-year period to an ultimate rate of 4.50 percent

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Retiree's share of benefit-related costs      Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuation were the same as those employed in the July 1, 2018, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds prevailing on the measurement date with an average rating of AA/Aa, as shown on the Bond Buyer 20-year Municipal GO AA index.

*Changes in assumptions.* The discount rate was changed from 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. This change in assumption increased the total OPEB liability.

***Changes in the Total OPEB Liability***

Balance at 6/30/18	\$ 186,188
Changes for the year:	
Service cost	18,525
Interest	7,384
Changes in benefit terms	-
Differences between expected and actual experience	(5,449)
Changes in assumptions	16,930
Benefit payments	(1,475)
Other changes	-
Net changes	35,915
Balance at 6/30/19	\$ 222,103

*Sensitivity of total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51 percent) or 1-percentage-point higher (4.51 percent) than the current discount rate:

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	Rate	Liability
1% decrease	2.51%	\$ 239,541
Current rate	3.51%	\$ 222,103
1% increase	4.51%	\$ 205,679

*Sensitivity of total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Rates	Liability
1% decrease	5.03/4.20% decreasing to 3.50%	\$ 197,865
Current rates	6.03/5.20% decreasing to 4.50%	\$ 222,103
1% increase	7.03/6.20% decreasing to 5.50%	\$ 250,244

***OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB***

*OPEB expense.* For the year ended June 30, 2020, Northwest Tennessee Head Start recognized OPEB expense of \$24,623.

*Deferred Outflows of Resources, and Deferred Inflows of Resources.* At June 30, 2020, Northwest Tennessee Head Start reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,174
Changes in assumptions	21,366	6,408
Employer payments subsequent to the measurement date	2,014	-
Total	\$ 23,380	\$ 31,582

The amount shown above for employer payments subsequent to the measurement date will be recognized as a reduction in total OPEB liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the following measurement periods:

June 30, 2020	\$ (1,286)
2021	(1,286)
2022	(1,286)
2023	(1,286)
2024	(1,286)
Thereafter	(3,786)

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

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**General Information about the EDC OPEB Plan**

*Plan description.* Employees of Northwest Tennessee EDC are provided with pre-65 retiree health insurance benefits through Obion County’s participation in the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). All eligible pre-65 retired employees and disability participants of local governments who choose coverage participate in the LGOP.

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*Benefits provided.* Northwest Tennessee EDC offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO, or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Northwest Tennessee EDC does not directly subsidize their pre-65 retiree insurance premiums and, therefore, are only subject to the implicit subsidy. The LGOP is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

*Employees covered by benefit terms.* At the measurement date of July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	23
Total employees	<u>23</u>

An insurance committee created in accordance with TCA 8-27-701 establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2020, Northwest Tennessee EDC paid \$200 to the LGOP for OPEB benefits as they came due.

**Total OPEB Liability**

At June 30, 2020, Northwest Tennessee EDC reported a liability of \$64,561 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2019, determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.03 percent for pre-65 and 5.20 percent for post-65 in 2019, decreasing annually over a 10-year period to an ultimate rate of 4.50 percent
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuation were the same as those employed in the July 1, 2018, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds prevailing on the measurement date with an average rating of AA/Aa, as shown on the Bond Buyer 20-year Municipal GO AA index.

*Changes in assumptions.* The discount rate was changed from 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. This change in assumption increased the total OPEB liability.

***Changes in the Total OPEB Liability***

Balance at 6/30/18	\$ 58,916
Changes for the year:	
Service cost	3,565
Interest	2,259
Changes in benefit terms	-
Differences between expected and actual experience	(4,469)
Changes in assumptions	4,427
Benefit payments	(137)
Other changes	-
Net changes	<u>5,645</u>
Balance at 6/30/19	<u>\$ 64,561</u>

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*Sensitivity of total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<u>Rate</u>	<u>Liability</u>
1% decrease	2.51%	\$ 69,382
Current rate	3.51%	\$ 64,561
1% increase	4.51%	\$ 59,971

*Sensitivity of total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>Rates</u>	<u>Liability</u>
1% decrease	5.03/4.20% decreasing to 3.50%	\$ 58,226
Current rates	6.03/5.20% decreasing to 4.50%	\$ 64,561
1% increase	7.03/6.20% decreasing to 5.50%	\$ 71,758

***OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB***

*OPEB expense.* For the year ended June 30, 2020, Northwest Tennessee EDC recognized OPEB expense of \$5,628.

*Deferred Outflows of Resources, and Deferred Inflows of Resources.* At June 30, 2020, Northwest Tennessee EDC reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,477
Changes in assumptions	6,119	1,640
Employer payments subsequent to the measurement date	200	-
Total	\$ 6,319	\$ 7,117

The amount shown above for employer payments subsequent to the measurement date will be recognized as a reduction in total OPEB liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the following measurement periods:

June 30, 2020	\$ (196)
2021	(196)
2022	(196)
2023	(196)
2024	(196)
Thereafter	(18)

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

***Aggregate OPEB Expense***

Total other postemployment benefit expense under both plans for the year ended June 30, 2020, was \$30,251.

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
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**Schedule of Changes in Northwest Tennessee Head Start's  
 Total OPEB Liability and Related Ratios  
 Local Government OPEB Plan  
 Plan Years Ended June 30,**

	2017	2018	2019
Service cost	\$ 15,161	\$ 14,068	\$ 18,525
Interest	5,477	7,017	7,384
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	(26,392)	(5,449)
Changes in assumptions	(9,510)	8,908	16,930
Benefit payments	-	(931)	(1,475)
Other changes	-	-	-
Net change in total OPEB liability	11,128	2,670	35,915
Total OPEB liability – beginning	172,390	183,518	186,188
Total OPEB liability – ending	<u>\$ 183,518</u>	<u>\$ 186,188</u>	<u>\$ 222,103</u>
Head Start's covered-employee payroll	\$ 4,966,316	\$ 5,274,692	\$ 6,585,103
Total OPEB liability as a percentage of covered-employee payroll	3.7%	3.5%	3.4%

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 75 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

**Notes to Schedule**

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.

*Changes in assumptions.* For 2018, the discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability. It was also decided to change the status of the LGOP from a closed plan to one that is open to all eligible employees regardless of initial hire date. This change in status will increase the OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near-term healthcare trend rates.

For 2019, the discount rate was changed from 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. This change in assumption increased the total OPEB liability.

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
 June 30, 2020

**Schedule of Changes in Northwest Tennessee EDC's  
 Total OPEB Liability and Related Ratios  
 Local Government OPEB Plan  
 Plan Years Ended June 30,**

	2017	2018	2019
Service cost	\$ 3,298	\$ 3,099	\$ 3,565
Interest	1,576	1,996	2,259
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	(2,391)	(4,469)
Changes in assumptions	(2,549)	3,296	4,427
Benefit payments	-	(99)	(137)
Other changes	-	-	-
Net change in total OPEB liability	2,325	5,901	5,645
Total OPEB liability – beginning	50,690	53,015	58,916
Total OPEB liability – ending	<u>\$ 53,015</u>	<u>\$ 58,916</u>	<u>\$ 64,561</u>
EDC's covered-employee payroll	\$ 686,004	\$ 706,677	\$ 494,920
Total OPEB liability as a percentage of covered-employee payroll	7.73%	8.34%	13.04%

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 75 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

**Notes to Schedule**

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.

*Changes in assumptions.* For 2018, the discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability. It was also decided to change the status of the LGOP from a closed plan to one that is open to all eligible employees regardless of initial hire date. This change in status will increase the OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near-term healthcare trend rates.

For 2019, the discount rate was changed from 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. This change in assumption increased the total OPEB liability.

## **SUPPLEMENTARY INFORMATION**

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2020

<b>Grantor/ Pass-through Agency/ Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture/ Pass-through Tennessee Department of Human Services/</b>		
Child and Adult Care Food Program	10.558	\$ 372,030
Child and Adult Care Food Program	10.558	283,440
		<u>655,470</u>
<b>Pass-through Tennessee Department of Agriculture/</b>		
Food Distribution Cluster		
Temporary Emergency Food Assistance Program (Admin. Costs)	10.568	21,228
Temporary Emergency Food Assistance Program (Admin. Costs)	10.568	33,803
		55,031
Temporary Emergency Food Assistance Program (Food Commodities)	10.569	764,871
Total Food Distribution Cluster		<u>819,902</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>1,475,372</u></b>
<b>U.S. Department of Health and Human Services/</b>		
Head Start Cluster		
Head Start	* 93.600	10,466,562
Early Head Start	* 93.600	3,500,547
Head Start Training and Technical Assistance	* 93.600	143,289
Head Start Carryforward	* 93.600	66,718
Early Head Start Carryforward	* 93.600	16,561
Duration Head Start/Early Head Start	* 93.600	172,923
Total Head Start Cluster		<u>14,366,600</u>
<b>Pass-through Tennessee Housing Development Agency</b>		
Low-Income Home Energy Assistance Program	* 93.568	1,250,455
Low-Income Home Energy Assistance Program	* 93.568	2,269,329
		<u>3,519,784</u>
477 Cluster		
Community Services Block Grant	* 93.569	401,659
Community Services Block Grant	* 93.569	47,119
Community Services Block Grant	* 93.569	129,612
Total 477 Cluster		<u>578,390</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>18,464,774</u></b>
<b>Total federal awards</b>		<b><u>\$ 19,940,146</u></b>

\* a major program

**Notes to Schedule of Expenditures of Federal Awards**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Northwest Tennessee Economic Development Council under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of U.S. Code of Federal Regulations, Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Council, it is not intended to, and does not, present the financial position or changes in financial position of Northwest Tennessee Economic Development Council.

Note 2 – Summary of Significant Accounting Policies

Expenditures in 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.

*See independent auditor's report*

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2020

Note 3 – Indirect Cost Rate

Northwest Tennessee Economic Development Council has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

*See independent auditor's report*

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the year ended June 30, 2020

<u>State</u> <u>Grant Number</u>	<u>Grantor Agency/Program Name</u>	<u>Disbursements</u>
None	Department of Human Services/ Direct Appropriation	\$ <u>25,050</u>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE**



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## Independent Auditor's Report

Board of Directors  
Northwest Tennessee Economic Development Council  
Dresden, 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 and each major fund of the Northwest Tennessee Economic Development Council as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 3, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Tennessee Economic Development Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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

Board of Directors  
Northwest Tennessee Economic Development Council

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
February 3, 2021



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## Independent Auditor's Report

Board of Directors  
Northwest Tennessee Economic Development Council  
Dresden, Tennessee

### Report on Compliance for Each Major Federal Program

We have audited Northwest Tennessee Economic Development Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2020. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on compliance for each of Northwest Tennessee Economic Development Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Northwest Tennessee Economic Development Council 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, 2020.

## Report on Internal Control Over Compliance

Management of Northwest Tennessee Economic Development Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
February 3, 2021

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2020

Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- material weakness(es) identified?  yes  no
- significant deficiency(ies) identified?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major federal programs:

- material weakness(es) identified?  yes  no
- significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.568	Low Income Home Energy Assistance
93.569	Community Services Block Grant
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2020

**Section II – Financial Statement Findings**

There were no findings reported relative to the audit of financial statements performed in accordance with *Government Auditing Standards*.

**Section III – Federal Award Findings and Questioned Costs**

There were no findings required to be reported by 2 CFR Section 200.516(a).

**NORTHWEST TENNESSEE ECONOMIC DEVELOPMENT COUNCIL**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2020

**Financial Statement Findings**

There were no prior year findings reported relative to the audit of financial statements performed in accordance with *Government Auditing Standards*.

**Federal Award Findings and Questioned Costs**

There were no prior year findings or questioned costs reported relative to the requirements of section 2 CFR Section 200.516(a).