

GREATER NASHVILLE REGIONAL COUNCIL

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018

GREATER NASHVILLE REGIONAL COUNCIL

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GREATER NASHVILLE REGIONAL COUNCIL

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INTRODUCTORY SECTION

GREATER NASHVILLE REGIONAL COUNCIL
INTRODUCTORY SECTION

EXECUTIVE COMMITTEE MEMBERS
AS OF JUNE 30, 2018

Ken Moore	President
Anthony Holt	Vice President
Paige Brown	Treasurer
Randall Hutto	Immediate Past President
Kenny McCarver	Cheatham County
Amber Locke	Cheatham County
David Briley	Large City Representative
Heidi Campbell	Davidson County
Jeff Duncan	Davidson County
Erica Gilmore	Davidson County
Bob Rial	Dickson County
Star Moore	Dickson County
George Clark	Houston County
Paul Bailey	Houston County
Jessie Wallace	Humphreys County
Wallace Frazier	Humphreys County
Jim Durrett	Montgomery County
Jeff Truitt	Montgomery County
Rene Lianos	Montgomery County
Howard Bradley	Robertson County
Anne Schneider	Robertson County
Ernest Burgess	Rutherford County
Jeffrey Davidson	Rutherford County
Darlyn Green	Rutherford County
Jerry Kirkman	Small City Representative
Rick Joiner	Stewart County
Kim Wallace	Stewart County
Anthony Holt	Sumner County
Kim Ark	Sumner County
Carroll Carmen	Trousdale County
David Nollner	Trousdale County
Craig Moreland	Trousdale County
Rogers Anderson	Williamson County
Diane Giddens	Williamson County
Randall Hutto	Wilson County
Bernie Ash	Wilson County
Steve Dickerson	Tennessee General Assembly
Susan Lynn	Tennessee General Assembly

FINANCIAL SECTION



Independent Auditor's Report

To the Executive Committee Members
Greater Nashville Regional Council
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the agency fund of Greater Nashville Regional Council ("GNRC"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise GNRC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the agency fund of Greater Nashville Regional Council, as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity 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 on pages 5 - 12 and the schedule of changes in the net pension liability (asset) and related ratios and schedule of contributions on pages 39 - 40 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 considered 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 Greater Nashville Regional Council's basic financial statements. The introductory section on page 1, the schedule of indirect costs, and the statement of changes in assets and liabilities - guardianship agency fund on pages 41 - 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards and schedules of performance based awards on pages 43 - 48 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the State of Tennessee, and are also not a required part of the basic financial statements.



To the Executive Committee Members
Greater Nashville Regional Council

The schedule of indirect costs, the statement of changes in assets and liabilities - guardianship agency fund, the schedules of expenditures of federal and state awards, and schedules of performance based awards 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of indirect costs, the statement of changes in assets and liabilities - guardianship agency fund, and the schedules of expenditures of federal and state awards, and schedules of performance based awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of GNRC'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 GNRC'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 GNRC's internal control over financial reporting and compliance.

Nashville, Tennessee
March 29, 2019

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements for the year ended June 30, 2018.

This MD&A may contain forward-looking information that involves a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to: continuation of federal and state grants; state appropriated Development District funding; uncertainty of reserve returns; legislative changes to current programs and or funding for programs; and industry competition.

DESCRIPTION OF BUSINESS

Greater Nashville Regional Council ("GNRC") was created in 1965 by the TN General Assembly on behalf of the 13 counties and 52 cities with-in those counties to serve the need for the various local governments to coordinate with state and federal agencies to come together to promote regional planning and to improve economic development. GNRC is proud to celebrate over 50 years serving our region.

The Mid-Cumberland Area Development Corporation contracts with GNRC to provide staff and administrative services, including legal services, payroll, employee benefits, and financial services.

In September 2017, GNRC entered into a formal transportation policy and planning agreement with Transportation Policy Board of the Nashville Area Metropolitan Planning Organization (MPO), which integrated the MPO programming into the organizational structure and budget of the Regional Council. All assets, liabilities, deferred inflows/outflows, and net position have been transferred to GNRC at carrying value.

DISCUSSION OF OPERATIONS

GNRC serves as the federally-recognized and state-designated Area Agency on Aging and Disability (AAAD) for the greater Nashville area. The AAAD provides Home and Community based care for the elderly and disabled; funding to local Senior Centers; a Public Guardianship program which oversees care to seniors as directed by the courts; manages the Federal Family Caregiver funds; provides home delivered and congregate meals; works with seniors throughout the year, and during the open enrollment period to enroll and information seniors about Medicare / Medicaid options; and is an Aging and Disability Resource Center (ADRC). Under the Governor's single point of entry mandate, the AAAD serves as an information and assistance resource for seniors in Greater Nashville area.

The AAAD continued the evidenced based health promotion program entitled "Living well with Chronic Conditions." This program trains seniors to manage their own health and provide strategies for lifestyle changes. GNRC has 1 master trainer on staff and has trained lay leaders throughout the GNRC region. AAAD is also partnering with senior centers and other community organizations to host the State Health Insurance Program (SHIP) which provides seniors with counseling and information about Medicare. Staff has recruited and trained volunteers to help seniors throughout the greater Nashville region, especially during the open enrollment periods. GNRC continues to partner with the VA to provide self-directed in-home services for veterans.

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

GNRC AAAD joined with TCAD and the other AAADs in Tennessee on the Senior Brain Games. Competitions were held at the local level with winners going on to a state-wide competition.

GNRC, at the direction of TennCare, continues to serve as the Community Living Support Ombudsman. The goal of Community Living Supports (CLS) is to increase options for those who need long term services and supports (older adults and adults with physical disabilities) and their families and expand access to home-based services so that more people can receive care in their homes and communities. Staff serves as a neutral party and advocate specifically for individuals who are or have been transferred into CLS housing. Members selecting CLS are educated on their member rights and empowered to be self-advocates. The CLS Ombudsman completes education, pre-transition, and post-transition surveys with the member to insure the member understands their rights and how to contact those responsible for care.

The Economic and Community Development (ECD) Department provides technical assistance for the preparation of grant applications and administration of grants for industrial infrastructure, water and waste water improvements, transportation enhancements, parks and recreation, historic preservation, and solid waste. ECD works with local communities to manage their THDA HOME grant funds for low-income homeowners. Also, ECD manages the Emergency Home Repair program, which assists low income seniors in making small home improvements, such as roofing and repairs to heating & cooling systems.

The GNRC has been empowered by the TN General Assembly over the years to serve as the primary regional planning agency responsible for developing or coordinating regional plans for growth and infrastructure across Middle Tennessee and plays an increasing role in assisting city and county governments in their local planning efforts. The Community and Regional Planning Department’s programs and services operate on both a multi-county, regional scale as well as at the neighborhood level. The team plays a formal role in connecting conversations about economic development and infrastructure planning. GNRC serves as the federally-recognized Metropolitan Planning Organization for the Nashville area and is responsible for developing a regional transportation plan. GNRC provides, through a contract arrangement, planning assistance to an average of 12 community planning commissions and boards of zoning appeals.

Research and Policy teams support all functions of the GNRC to ensure that data, analytics, and policy development for each of the departments is coordinated to support the agency as a whole an its local government member.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the Greater Nashville Regional Council’s finances, in a manner similar to a private-sector business. This includes the government-wide statement of net position and the statement of activities, as listed below.

The *statement of net position* presents information on all of the Greater Nashville Regional Council assets and liabilities, with the difference between the two 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 Greater Nashville Regional Council is improving or deteriorating.

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

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 events 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 will only result in cash flows in future fiscal periods.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Greater Nashville Regional Council, assets exceeded liabilities by \$7,466,704 at the close of this fiscal year.

A portion of Greater Nashville Regional Council's net position (0.6%) reflects its net investment in capital assets (furniture and equipment). GNRC uses these capital assets to provide services on behalf of the region's citizens; consequently, these assets are not available for future spending.

A portion of net position is also restricted for the revolving loan fund, totaling \$2,455,576, or 32.8% of total net position. Restricted net position of \$647,196, or 8.6% of total net position, is reported for assets held for pension benefits.

The balance of *unrestricted* net position \$4,320,752, or 57.8%, may be used to meet the GNRC's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Greater Nashville Regional Council is able to report positive balances in all categories of net position.

Selected Annual Information

The following financial data are selected information for GNRC for the two most recently completed financial years:

Statement of Net Position

	2018	2017	Difference
Cash and cash equivalents	\$ 3,576,290	\$ 3,133,094	\$443,196
Due from grantors	2,445,923	1,481,591	964,332
Other accounts receivable	2,178,027	138,686	2,039,341
Prepaid items	143,446	18,355	125,091
Notes receivable, net of allowance	1,315,040	1,611,039	(295,999)
Net Pension Asset	647,196	634,276	12,920
Capital assets, net of depreciation	179,656	118,168	61,488
Total Assets	\$10,485,578	\$7,135,209	\$3,350,369
Deferred outflows related to pension plan	614,522	724,812	(110,290)
Total Deferred Outflows of Resources	\$614,522	\$724,812	(110,290)
Accounts payable	\$265,536	\$136,204	129,332
Accrued expenses	165,558	117,407	48,151
Accrued leave	258,581	193,066	65,515
Due to subrecipients	460,524	493,192	(32,668)
Unearned revenue	31,795	2,882	28,913

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Due to MADC (cash held by GNRC on behalf of MADC)	1,816,910	1,887,783	(70,873)
Line-of-credit	350,000	250,000	100,000
Long-term liabilities – within 1 year	49,667	27,730	21,937
Long-term liabilities – more than 1 year	86,809	6,518	80,291
Total Liabilities	\$3,485,380	\$3,114,782	\$370,598
Deferred inflows related to pension plan	148,016	249,275	(101,259)
Total Deferred Inflows of Resources	\$148,016	\$249,275	\$(101,259)
Net invested in capital assets	\$43,180	\$83,920	\$(40,740)
Restricted	3,102,772	3,022,514	80,258
Unrestricted	4,320,752	1,389,530	2,931,222
Total Net Position	\$7,466,704	\$4,495,964	\$2,970,740

Governmental Fund Balances

The following is a reconciliation of the statement of net position and the governmental fund balance sheet:

	2018	2017	Difference
Total Governmental Fund Balances	\$3,544,782	\$1,941,192	\$1,603,590
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	179,656	118,168	61,488
Pension amounts actuarially determined are not financial resources and, therefore, are not reported in the funds.	1,113,702	1,109,813	3,889
Long-term receivables are not due and receivable in the current period and, therefore, are not reported in the funds	3,115,040	1,611,039	1,504,001
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds	(486,476)	(284,248)	(202,228)
Net Position of Governmental Activities	\$7,466,704	\$4,495,964	\$2,970,740

GREATER NASHVILLE REGIONAL COUNCIL ASSETS

GNRC's capital assets include office furniture and equipment. GNRC has an account with the Local Government Investment Pool (LGIP) where excess funds are kept to earn greater interest until they are needed.

GREATER NASHVILLE REGIONAL COUNCIL LIABILITIES

GNRC's long-term liabilities include a line-of-credit for operational purposes, and a capital lease on the computer equipment. This lease is with Image Quest, who also manages our IT needs.

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

SIGNIFICANT SOURCES OF FINANCING

GNRC has 4 major sources of funding: federal grants, state grants, administrative fees, and local funding. The largest source of funding is federal grants with the largest coming from the U.S. Department of Health and Human Services. These are aging funds that flow to GNRC through the TN Commission on Aging & Disability. Other grants include U.S. Department of Commerce (EDA), U.S. Department of Transportation that flow to GNRC through TN Department of Transportation (Nashville Area MPO) and U.S. Department of the Interior (Historic Preservation).

GNRC receives grants from the State of Tennessee that include Solid Waste Planning (TN Department of Environment and Conservation), Tourism (TN Department of Tourism Development), Regional Capital Needs Inventory (TN Advisory Commission on Intergovernmental Relations), Emergency Repair and Housing Grants (TN Housing Development Agency), and Planning and Economic Development (TN Department of Economic and Community Development).

GNRC also earns administrative funds for EDA, FDIP, CDBG, and THDA Housing grants received by the cities and counties in the GNRC region. GNRC helps write and manage the grants for the entities.

GNRC collects dues from the cities and counties in its jurisdiction. The current rate is \$0.31 per capita using the most current estimated census figures (per resolution #2018-04). Local dues are used by GNRC to provide the required local match on federal and state grants. GNRC members which participate in the Nashville Area MPO pay an additional \$0.26 per capita. GNRC also collects interest on its checking and investment accounts.

GNRC Revenues by Program

	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions	
	2018	2017	2018	2017	2018	2017
Aging Services & Programs	\$19,806	\$19,974	\$7,552,894	\$7,524,082	\$ -	\$ -
Economic and Community Development	84,471	81,644	333,671	519,439	-	-
Regional Planning	4,675	5,185	1,856,027	569,807	-	-
Administrative Services and Program Support	290,334	351,627			-	-
Total Program Revenues	\$399,286	\$458,430	\$9,712,592	\$8,613,328	\$ -	\$ -
	General Revenues					
					2018	2017
City and County Dues					\$1,071,534	\$429,824
Unrestricted Grants & Contributions					256,408	234,790
Miscellaneous					(165,567)	(80,167)
Unrestricted Investment Earnings					7,306	4,141
Gain on Sale of Building					1,706,573	-
Transfer of operations from MPO					636,143	-
Total General Revenues and Special Items					\$3,512,397	\$588,588
					Total Revenues	\$13,624,275
						\$9,660,346

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

GNRC REVENUES

Per state law, the State of Tennessee provides an annual allocation of funding to the nine development districts located in the state. GNRC's portion of this funding amounts to \$200,000 per year. In addition, Economic and Community Development provides \$50,000 to be used to support local and regional economic development in the GNRC.

The GNRC receives revenue from federal and state grants as follows: in FY 2018: the Area Agency on Aging and Disability yielded revenue amounting to more than \$7,000,000. Economic and Community Development revenue totaled \$500,000; Regional Planning received more than \$1,300,000. Counties and cities in the GNRC region provided support of \$1,071,534 in the way of dues for FY 2018.

GNRC Expenses by Program

	Expenses		Indirect Expenses Allocation	
	2018	2017	2018	2017
Aging Services & Programs	\$6,630,439	\$6,956,158	\$1,016,147	\$968,943
Economic and Community Development	427,851	627,601	72,829	103,028
Regional Planning	1,601,962	544,519	591,820	140,086
Administrative Services and Programs	226,139	202,093	86,348	82,909
General Administration	1,767,144	1,294,966	(1,767,144)	(1,294,966)
Total Expenses & Indirect Allocation	\$10,653,535	\$9,625,337	\$0	\$0

GNRC EXPENSES

GNRC expenses increased in FY 2018. The increase in expenses were related to the MPO integration, which added additional staffing expense. The integration also increased GNRC's fringe expense. Although this increase was expected, GNRC will continue to monitor and contain costs in FY 2019.

Change in Net Position

	2018	2017
Total Revenues	\$13,883,269	\$9,660,346
Total Expenses	10,912,529	9,625,337
Change in Net Position	2,970,740	35,009
Net Position - Beginning	4,495,964	4,460,955
Net Position - Ending	\$7,466,704	\$4,495,964

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

FUND FINANCIAL STATEMENTS

Governmental Funds

- *General Fund* - The General Fund is the general accounting fund of GNRC. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund (not included in government-wide statements)

- *Agency Fund* - The agency fund is used to account for assets held by GNRC in a trustee capacity or as an agent for individuals. Included in the agency fund are assets held in trust under GNRC's public guardianship program. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

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. The notes to the financial statements can be found on pages 20 through 38 of this report.

OTHER INFORMATION

A supplemental section containing Schedule of Indirect Costs, and Statement of Changes in Assets and Liabilities - Guardianship Agency Fund can be found on pages 41 through 42.

During FY 2012, following instructions from Economic Development Administration, GNRC took steps to move the Revolving Loan Fund program from MADC's books to GNRC's books. This has resulted in an overall increase in net position including Notes Receivable.

ECONOMIC FACTORS AND NEXT YEAR'S FINANCIAL OUTLOOK

Due to continuing economic uncertainty, as well as the federal budgetary process, some grants have been or may be eliminated or reduced. We are watching budget developments both on the local and federal levels. GNRC continues to apply for grants in other areas. We are working with THDA on the emergency home repair program and we continue to help our counties and cities with planning issues. GNRC fee for service revenue is expected to increase as additional communities reach out to GNRC for assistance in developing or updating local planning documents.

GNRC will help our cities and counties apply for Grants, both federal and state. GNRC is working with counties and cities to obtain EDA Grants for infrastructure needed to attract new businesses. GNRC staff continues working with our communities on CDBG disaster and CDBG regular round grants.

GREATER NASHVILLE REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

GNRC stores data on the cloud saving the expense of updating and maintaining our servers. We have continued the hardware rental program that allows us to keep our computers and our software up-to-date, and freeing us from the expense of buying and maintaining the equipment.

We put our downtown property on the market and closed on the sale in August 2017. Moving will allow us to acquire a building that meets our needs better, as well as releasing us from the condo association structure and fees. We are currently leasing office space in an area with parking allowing better access for our employees, and cost savings of not providing an allowance for downtown parking.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the Greater Nashville Regional Council's finances for all those interested 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 Michael Skipper, Executive Director, 220 Athens Way Suite 200, Nashville, TN 37228.

GREATER NASHVILLE REGIONAL COUNCIL
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,576,290
Due from grantors	2,445,923
Other accounts receivable	2,178,027
Prepaid items	143,446
Notes receivable, net of allowance	1,315,040
Net pension asset	647,196
Capital assets, net of depreciation	<u>179,656</u>
Total assets	<u>10,485,578</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>614,522</u>
 LIABILITIES	
Accounts payable	265,536
Accrued expenses	165,558
Accrued vacation	258,581
Due to subrecipients	460,524
Unearned revenue	31,795
Due to Mid-Cumberland Area Development Corporation	1,816,910
Line-of-credit	350,000
Long-term liabilities due within one year	49,667
Long-term liabilities due in more than one year	<u>86,809</u>
Total liabilities	<u>3,485,380</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>148,016</u>
 NET POSITION	
Net investment in capital assets	43,180
Restricted for RLF program	2,455,576
Restricted for pensions	647,196
Unrestricted	<u>4,320,752</u>
Total net position	<u><u>\$ 7,466,704</u></u>

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 3,576,290
Due from federal and state grantors	2,308,700
Due from federal and state performance based grantors	137,223
Other accounts receivable	378,027
Prepaid expenses	143,446
Total assets	\$ 6,543,686
LIABILITIES	
Accounts payable	\$ 265,536
Accrued expenses	165,558
Compensated absences	258,581
Due to subrecipients	460,524
Unearned revenue	31,795
Due to Mid-Cumberland Area Development Corporation	1,816,910
Total liabilities	\$ 2,998,904
FUND BALANCE	
Nonspendable for prepaid expenses	\$ 143,446
Restricted for RLF program	1,140,536
Unassigned	2,260,800
Total fund balance	3,544,782
Total liabilities and fund balances	\$ 6,543,686

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2018

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION:

Total governmental fund balance in the balance sheet	\$ 3,544,782
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	179,656
Pension assets actuarially determined are not financial resources and, therefore, are not report in the funds:	
Net pension asset	647,196
Deferred outflows of resources for pensions	614,522
Deferred inflows of resources for pension	(148,016)
Long-term notes receivable are not due and receivable in the current period and, therefore, are not reported in the funds	1,315,040
Receivable on the sale of building is not receivable in the current period and, therefore, is not reported in the funds	1,800,000
Long-term liabilities, including capital leases and the line-of-credit, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(486,476)</u>
Net Position of Governmental Activities	<u>\$ 7,466,704</u>

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2018

	General Fund
REVENUES	
Federal and state reimbursement grantor contributions	\$ 9,216,329
Federal and state performance based income	461,147
State, local and other contributions	1,222,263
Interest income	84,585
Other revenues	462,801
Total revenues	11,447,125
EXPENDITURES	
Current:	
Payments to subcontractors	4,563,942
Salaries	2,427,275
Fringe benefits	1,441,269
Indirect costs	1,763,721
Consultants and contracted services	275,868
Travel	125,468
Repairs and maintenance	1,630
Communications	35,626
Meetings and conferences	46,755
Consumable supplies	15,260
Other expenditures	17,831
Insurance	12,243
Printing	19,494
Marketing	108
Postage	707
Dues and subscriptions	22,686
Capital outlay	214,372
Debt service:	
Principal	62,322
Interest	2,806
Total expenditures	11,049,383
OTHER FINANCING SOURCES (USES):	
Proceeds from capitalized lease obligation and capital assets	164,550
Proceeds and payments on line-of-credit, net	100,000
Principal payments on notes receivable	521,321
Note receivable issued	(216,166)
Total other financing sources	569,705
SPECIAL ITEM:	
Transfer of operations from MPO	636,143
NET CHANGE IN FUND BALANCES	1,603,590
FUND BALANCES, June 30, 2017	1,941,192
FUND BALANCES , June 30, 2018	\$ 3,544,782

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CONTINUED
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES:

Net change in fund balances as reported in the governmental fund statements	\$ 1,603,590
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	214,372
Depreciation expense	(37,984)
<p>Repayments of notes receivable principal provide current financial resources of governmental funds, while the issuance of notes receivable consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>	
Principal payments received on RLF notes receivable	(521,321)
Issuance of RLF notes receivable	216,166
<p>The issuance of long-term debt (e.g. capital leases) provides current financial resources to governmental funds, while repayments of debt principal use current financial resources of governmental funds and is an expenditure in the governmental funds. The transaction, however, does not have any effect on net position.</p>	
Proceeds from issuance of long-term debt (capital lease)	(164,550)
Net proceeds from the line-of-credit	(100,000)
Repayments of debt principal	62,322
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Provision for RLF loan losses	(12,317)
<p>The gain on the sale of building is reported in the statement of activities, however the proceeds are not due in the current period therefore are not reported in the governmental funds</p>	
	1,706,573
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of the pension obligations are actuarial determined. There is a difference between the amount of pension contributions made in the current fiscal year and the actuarially determined amounts.</p>	
	<u>3,889</u>
Change in Net Position of Governmental Activities	<u>\$ 2,970,740</u>

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 224,227</u>
 LIABILITIES	
Funds held in trust	<u>\$ 224,227</u>

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The accounting policies of Greater Nashville Regional Council (“GNRC” or the “Council”) conform to U.S. generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles, and its pronouncements are followed. The Council’s major operations include aging services, economic and community development, regional planning and administrative services and program support.

GNRC is a development authority which provides regional planning, economic development, and inter-local agreements for counties and municipalities in the Middle Tennessee Region. Based upon the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity,” the Council is not a component unit of another governmental entity. The Council has not been determined to be a component unit due to the judgment that it does not meet the criteria of financial interdependency and other factors that would constitute a component unit. Also, based upon the above criteria, there are no separate organizations which have been determined to be component units of the Council.

On September 20, 2017, the Nashville Area Metropolitan Planning Organization (MPO) and the Council entered into a formal transportation policy and planning agreement. The policy and agreements describe roles and responsibilities for each organization in fulfilling federal transportation planning requirements and further acknowledges the MPO’s Transportation Policy Board as being the sole authority for adopting federally required transportation plans and programs.

The transportation policy and planning agreement and related resolutions effectively transfer the operations of the MPO to the Council, with the Council as the continuing government, effective September 20, 2017 (the transfer date). As a result of the transfer, the Council recognized the following at their carrying value pursuant to GASB 69 *Government Combinations and Disposal of Government Operations*

Cash	\$429,862
Accounts receivable	<u>206,281</u>
Total assets	<u>\$636,143</u>
Net Position	
Unrestricted net position	<u>\$636,143</u>

Accounts receivable related to the transfer was received in September 2018.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basic Financial Statements

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 nonfiduciary activities of the primary government. For GNRC, *governmental activities* normally are supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which both direct and indirect expenses of a given function or identifiable activities are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Indirect expenses* for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by the given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Measurement focus, basis of accounting, and financial statement presentation

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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are 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 GNRC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or up to 180 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. State and federal grants, charges for administrative and program support services, 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 GNRC.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The financial transactions of GNRC are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.

GRNC reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of GNRC. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the Council reports one fiduciary fund:

Agency Fund - The agency fund is used to account for assets held by GNRC in a trustee capacity or as an agent for individuals. Included in the agency fund are assets held in trust under the Council's public guardianship program. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Council qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provisions for income taxes has been made in the accompanying financial statements.

Budgets and Budgetary Accounting

General governmental revenue and expenditures are not required to be controlled by a formal integrated budgetary accounting system; therefore, no budgetary information is presented.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

Capital Assets and Depreciation

Capital assets, which include property, plant and equipment, are reported in government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	20 years
Automobiles	5 years
Furniture and fixtures	3 - 10 years

Compensated absences

Employees of GNRC are entitled to paid vacation and sick days depending on the length of service and other factors. GNRC employees are not compensated for accumulated sick leave upon retirement or termination. GNRC's policy is to recognize the costs of sick leave when actually paid to employees. Vested and earned vacation is recognized as a liability of the GNRC.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allowance for loan losses

An allowance is maintained at a level adequate to allow for estimated losses. Management determines the adequacy of the allowance based upon reviews of individual loans, recent loss experience, current economic conditions, and other pertinent factors. Loans deemed uncollectible are charged to the allowance. Provisions for loan losses and recoveries on loans previously charged off are added to the allowance.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of GNRC's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from GNRC's fiduciary 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

At June 30, 2018, deferred outflows and inflows of resources relate to participation in the TCRS pension plan. GNRC reports deferred outflows of resources relating to pension contributions made after the measurement date, and when applicable reports deferred outflows and inflows of resources relating to differences between actual and expected experience and differences between actual and projected investment earnings related to the pension plan.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position/Fund Equity

Government-Wide Financial Statements

The difference between the Council's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources represents net position, which is classified into three components:

- *Net Investment in Capital Assets* - Amount of capital assets, net of accumulated depreciation and net of long-term liabilities directly attributable to those assets.
- *Restricted Net Position* - Amount of net position that is subject to restrictions that are imposed 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.
- *Unrestricted Net Position* - Net position that is neither classified as restricted nor as invested in capital assets.

Fund balance

Governmental funds utilize a fund balance presentation of equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance cannot be spent because of its form.

Restricted fund balance has limitations imposed by creditors, grantors, contributors, or by enabling legislation or constitutional provisions.

Committed fund balance is a limitation imposed by the Council's Executive Committee, the highest level of decision making authority. A resolution is required to establish, modify, or rescind a fund balance commitment.

Assigned fund balances is a limitation imposed by a designee of the Executive Committee.

Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Spending Policy

Revenues earned may be restricted, committed, assigned, or unassigned depending on the fund type. If there is no provision in a grantor agreement regarding earnings on grant proceeds reported in the general fund, earnings will be unassigned for use of the general fund.

When both restricted and unrestricted fund balances are available for use, it is the Council's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are 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 can be used.

B. CASH AND INVESTMENTS

State statutes authorize GNRC to invest operating funds 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. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. Investments held in the public guardianship fund are not subject to these restrictions since they are purchased at the discretion of the owner and are held by GNRC in an agent capacity only.

Interest Rate Risk and Concentration of Credit Risk

GNRC does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. GNRC places no limit on the amount it may invest in any one issuer.

During the year ended June 30, 2018, GNRC limited its investment of funds to demand deposits at banking institutions.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, GNRC's deposits may not be returned. At June 30, 2018, the bank balance was \$4,086,391. The difference between this and the carrying value is due primarily to outstanding checks at June 30, 2018. Of the bank balance, \$255,848 relates to funds held on behalf of others in the Public Guardianship Fund. Also included in the bank balance is \$1,816,910 which relate to funds held on behalf of the Mid-Cumberland Area Development Corporation (Note C). At June 30, 2018, \$2,541,981 of the bank balance was covered by depository insurance or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss.

GNRC also has deposits in the Tennessee Local Government Investment Pool ("LGIP"), which totaled \$2,840,621 at June 30, 2018. The LGIP is similar to a SEC 2a-7 account (SEC designation). GNRC's amounts included in the LGIP are reported at the fair value of its position in the LGIP, which approximates the value of the shares at amortized cost.

C. DUE TO MID-CUMBERLAND AREA DEVELOPMENT CORPORATION

The amount due to Mid-Cumberland Area Development Corporation (MADC) represents cash from the Small Business Administration (SBA) loan programs. All SBA loan program business is conducted through the Board of Directors of MADC, a separate corporation, and all transactions related to the program are recorded in the financial records of MADC.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance			Balance
	June 30, 2017	Increases	Decreases	June 30, 2018
<u>Governmental activities -</u>				
Capital assets, being depreciated -				
Building and improvements	\$ 629,823	\$ -	\$ (629,823)	\$ -
Furniture and fixtures	372,310	214,372	(197,785)	388,897
Subtotal	<u>\$ 1,002,133</u>	<u>\$ 214,372</u>	<u>\$ (827,608)</u>	<u>\$ 388,897</u>
Less accumulated depreciation -				
Building and improvements	\$ (536,395)	\$ -	\$ 536,395	\$ -
Furniture and fixtures	(347,570)	(37,985)	176,313	(209,242)
Subtotal	<u>\$ (883,965)</u>	<u>\$ (37,985)</u>	<u>\$ 712,708</u>	<u>\$ (209,242)</u>
Capital assets, being depreciated, net	<u>\$ 118,168</u>	<u>\$ 176,387</u>	<u>\$ (114,900)</u>	<u>\$ 179,655</u>

Depreciation was charged to functions as follows:

Governmental activities -	
Aging services and programs	\$ 18,336
Economic and community development	2,463
Regional planning	9,293
Administrative services and program support	7,892
Total governmental activities depreciation expense	<u>\$ 37,984</u>

The Council owned a portion of the building at 501 Union Street through a cooperative agreement. On August 14, 2017, the building was sold with the Council's proceeds from the sale of the building estimated to be approximately \$1,800,000. GNRC has not yet received the proceeds as of the date the financial statements were available to be issued, as the final allocation of proceeds have not been determined by the selling parties. The allocation of the proceeds are currently being held in escrow until the amount of distributions can be determined through litigation. Management has estimated their portion based upon an appraisal completed on the building less association costs, and expects that all of the proceeds from the sale are collectible.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description

Employees of GNRC 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

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

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

GREATER NASHVILLE REGIONAL COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

E. RETIREMENT PLAN - Continued

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	48
Active employees	<u>61</u>
	<u>156</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. GNRC has adopted a noncontributory retirement plan for its employees. GNRC makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions for GNRC were \$169,456 based on a rate of 5.13 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept GNRC's State shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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)

GNRC's net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Cost-of-living adjustment	2.25 percent

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. RETIREMENT PLAN - Continued

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study, performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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 an average of 4.25 percent to an average of 4.00 percent; and modified immortality assumptions.

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

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

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

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. RETIREMENT PLAN - Continued

Discount Rate

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

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2016 measurement date	\$ 8,896,256	\$ 9,530,532	\$ (634,276)
Changes for the year:			
Service cost	216,557	-	216,557
Interest	669,134	-	669,134
Differences between expected and actual experience	116,808	-	116,808
Change of assumptions	189,316		189,316
Contributions - employer	-	143,914	(143,914)
Net investment income	-	1,066,181	(1,066,181)
Benefit payments, including refunds of employee contributions	(382,041)	(382,041)	-
Administrative expense	-	(5,360)	5,360
Net changes	809,774	822,694	(12,920)
Balance at June 30, 2017 measurement date	\$ 9,706,030	\$ 10,353,226	\$ (647,196)

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. RETIREMENT PLAN - Continued

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net pension liability (asset)	\$ 658,176	\$ (647,196)	\$ (1,727,769)

Pension Expense (Negative Expense) and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions

Pension Expense (Negative Pension Expense)

For the year ended June 30, 2018, GNRC recognized negative pension expense of (\$3,889).

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, GNRC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 291,299	\$ 148,016
Net differences between projected and actual earnings of pension plan investments	2,314	-
Changes of assumptions	151,453	-
Contributions subsequent to the measurement date of June 30, 2017	<u>169,456</u>	<u>(not applicable)</u>
Total	<u>\$ 614,522</u>	<u>\$ 148,016</u>

The amounts shown above for contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the following measurement period.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. RETIREMENT PLAN - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. In the table, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Year Ended June 30:	
2019	(18,777)
2020	180,851
2021	145,861
2022	(10,879)

Payable to the Pension Plan

At June 30, 2018, GNRC reported a payable of \$22,891 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

F. RISK MANAGEMENT

GNRC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Council is covered under the following insurance policies:

Bond Coverage

The Council's fidelity bond policy TMP-0554-18 was issued by the TML Risk Management Pool with blanket coverage, including comprehensive dishonesty, with liability limits of \$500,000 per loss. The policy period is from October 12, 2017 to October 12, 2018.

Workers' Compensation Coverage

The Council's workers' compensation policy TWC-0408-18 was issued by the TML Risk Management Pool with liability limits of \$300,000 per individual per accident and \$700,000 policy limit. The policy period is from October 12, 2017 to October 12, 2018. This policy is a retrospectively rated policy and premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Comprehensive Liability Coverage

The Council's liability policy TML-0422-18 was issued by the TML Risk Management Pool. The policy period is from October 12, 2017 to October 12, 2018. The policy provides general and automobile liability coverage of \$300,000 per person per injury with a maximum liability of \$700,000 per occurrence. The policy also provides coverage limited to \$1,000,000 per occurrence for errors and omissions.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. RISK MANAGEMENT - Continued

Property Coverage

The Council's property policy TMP-0554-18 was issued by the TML Risk Management Pool. The blanket limit for each occurrence under this policy is \$590,658. The policy period is from October 12, 2017 to October 12, 2018.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

G. COMMITMENTS AND CONTINGENCIES

Aging Programs

For a majority of the expenditures in the Aging Programs, the Council contracts with other governments or local agencies to perform the specific services set forth in the grant agreements. The Council disburses grant funds to the agencies based on monthly expenditure and performance reports received from each agency.

Significant aging subcontractors are required to have an annual independent audit. The Council requires these agencies to submit a copy of the audit reports. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the Council or the delegate agency. The Council generally has the right of recovery from the subcontractors.

Additionally, grantor agencies reserve the right to perform certain audit work in addition to the work performed by the Council's independent auditors. Disallowed costs, if any, resulting from such additional work, would have to be absorbed by the Council. Management does not believe that any significant costs will be incurred by the Council if such additional work should occur.

H. ADMINISTRATIVE SERVICES CONTRACT

During the year, Greater Nashville Regional Council provided administrative services, personnel and grant management services under contract with the Mid-Cumberland Area Development Corporation (MADC). For the year ended, June 30, 2018, the Council recognized revenues of \$310,297 from MADC in connection with this contract.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. LINE-OF CREDIT

In July 2016, the Council entered into a line-of-credit agreement with a bank, with a maximum borrowing limit of \$1,000,000, to fund operations as needed. Interest is payable monthly at the Wall Street Journal prime rate plus 0.25% (5.25% at June 30, 2018). The line-of-credit agreement expires March 23, 2019. The balance at June 30, 2018 was \$350,000.

Line-of-credit activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Net</u> <u>Increases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
<u>Governmental activities</u>				
Line-of-credit	\$ 250,000	\$ 100,000	\$ 350,000	\$ 350,000

J. LONG-TERM LIABILITIES

The Council entered into a lease during fiscal year 2015 for office equipment. A portion of the lease was determined to be a capital lease. The cost of the equipment was capitalized for \$194,245, which was replaced with a capital lease for new equipment. The cost of the equipment was capitalized for \$164,550. Accumulated amortization of leased equipment at June 30, 2018 was \$33,446. Amortization of assets under the capital lease is included in depreciation expense. The lease is for a period of 39 months.

	<u>Balance</u> <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
<u>Governmental activities -</u>					
Capital lease	\$ 34,248	\$ 164,550	\$ (62,322)	\$ 136,476	\$ 49,667

The following is a schedule of future lease payments:

Year Ending June 30,	Principal	Interest
2019	\$ 49,667	\$ 11,389
2020	52,933	6,058
2021	24,173	2,333
2022	5,995	521
2023	3,708	93
	<u>\$ 136,476</u>	<u>\$ 20,394</u>

For governmental activities, long-term debts are liquidated by the general fund. During 2018, the Council added equipment to the capital lease arrangement. The additional capital leases total \$164,550 and are due in monthly payments through January 2023.

GREATER NASHVILLE REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

K. OPERATING LEASE

As described in Note J, GNRC entered into a lease for certain office equipment. Rental expense for the non-capitalized portion of the lease totaled \$35,842 for the year ended June 30, 2018. The equipment lease was amended in fiscal year 2018 to adjust the Council's equipment needs and extend the lease through January 2023.

In June 2017, GNRC entered into an agreement to lease office space in Nashville. The lease commenced July 1, 2017 and runs through June 30, 2020 with the option to renew for a period of one year. Minimum monthly lease payments are \$11,833 through December 2018, and increase 3% each year thereafter.

In September 2017, GNRC entered into an agreement to lease additional office space in Nashville. The lease commenced December 21, 2017 and expires December 20, 2022. Minimum monthly lease payments are \$22,743, and increase 3% on each anniversary of the commencement date.

The future minimum lease payments of the non-capitalized portion of the office equipment and property lease payments, which are non-cancelable, consists of the following:

Year Ending June 30,	Governmental Activities
2019	\$ 461,235
2020	472,661
2021	315,117
2022	314,637
2023	160,556
	<u>\$ 1,724,206</u>

L. COMPENSATED ABSENCES

As of June 30, 2018, the liability for accrued compensated absences is \$258,581. Changes in the liability for the year ended June 30, 2018, are as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Compensated Absences	\$ 193,066	\$ 247,096	\$ (181,351)	<u>\$ 258,581</u>

GREATER NASHVILLE REGIONAL COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

M. REVOLVING LOAN FUND PROGRAM

The Council operates a Revolving Loan Fund (RLF) Program which provides loans to small businesses to assist and promote industrial and commercial development, small business development, and job creation in the Council’s region. Initial capitalization for the RLF program was funded through a grant agreement with EDA. The grant agreement requires that 50% of all revolving loan interest earnings and service and packaging fees be restricted for future loans. The remaining earnings are available for administrative costs.

Notes receivable as of June 30, 2018 total \$1,315,040. The notes receivable are comprised of loans to small businesses to expand current operations. The notes bear interest ranging from 4% to 6% and each loan is secured. Notes receivable are presented net of estimated allowance for loan losses of \$40,671 as of June 30, 2018.

N. COMMITMENTS AND CONTINGENCIES

The Council has a contract for hosted data services for a period of 36 months, expiring in November 2020. The monthly amount due under the agreement is \$2,220. The future contracted payments consist of the following at June 30, 2018:

Year Ending	
June 30,	
2019	26,640
2020	26,640
2021	11,100
	\$ 64,380

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the Council’s management expects such amounts, if any, to be immaterial.

In the normal course of its operations, GNRC may become subject to certain litigation, claims or assessments. Management, in consultation with legal counsel, does not currently expect any possible liability to materially exceed the limits of insurance.

REQUIRED SUPPLEMENTARY INFORMATION

GREATER NASHVILLE REGIONAL COUNCIL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST 10 FISCAL YEARS ENDING JUNE 30 (1)

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 216,557	\$ 178,431	\$ 185,655	\$ 192,796
Interest	669,134	608,355	591,064	574,557
Differences between expected and actual experience	116,808	329,754	(233,793)	(272,497)
Change of assumptions	189,316	-	-	-
Benefit payments, including refunds of member contributions	(382,041)	(306,493)	(303,825)	(231,417)
Net Change in Total Pension Liability	809,774	810,047	239,101	263,439
Total Pension Liability - beginning	8,896,256	8,086,209	7,847,108	7,583,669
Total Pension Liability - ending (a)	<u>\$ 9,706,030</u>	<u>\$ 8,896,256</u>	<u>\$ 8,086,209</u>	<u>\$ 7,847,108</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 143,914	\$ 146,945	\$ 135,833	\$ 269,890
Net investment income	1,066,181	248,385	284,811	1,324,906
Benefit payments, including refunds of employee contributions	(382,041)	(306,493)	(303,825)	(231,417)
Administrative expense	(5,360)	(4,949)	(3,106)	(2,657)
Net Change in Plan Fiduciary Net Position	\$ 822,694	\$ 83,888	\$ 113,713	\$ 1,360,722
Plan Fiduciary Net Position - beginning	9,530,532	9,446,644	9,332,931	7,972,209
Plan Fiduciary Net Position - ending (b)	<u>\$ 10,353,226</u>	<u>\$ 9,530,532</u>	<u>\$ 9,446,644</u>	<u>\$ 9,332,931</u>
Net Pension Liability (Asset) ending (a) - (b)	<u>\$ (647,196)</u>	<u>\$ (634,276)</u>	<u>\$ (1,360,435)</u>	<u>\$ (1,485,823)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.67%	107.13%	116.82%	118.93%
Covered Payroll	2,700,070	2,756,941	2,548,460	2,567,934
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-23.97%	-23.01%	-53.38%	-57.86%

Notes to Schedule:

The amounts presented in this schedule were determined as of the measurement date.

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

(1) This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

GREATER NASHVILLE REGIONAL COUNCIL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS BASED ON
 PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
 LAST 10 FISCAL YEARS ENDING JUNE 30 (1)

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 169,456	\$ 143,914	\$ 146,945	\$ 135,833	\$ 269,890
Contributions in relation to the actuarially determined contribution	<u>169,456</u>	<u>143,914</u>	<u>146,945</u>	<u>135,833</u>	<u>269,890</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 3,305,952	\$ 2,700,070	\$ 2,756,941	\$ 2,548,460	\$ 2,567,934
Contributions as a percentage of covered payroll	5.13%	5.33%	5.33%	5.33%	10.51%

Information regarding the Plan's annual money-weighted rate of return can be obtained in the separate TCRS report at www.treasury.tn.gov/tcrs.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2018 are based on the results of the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates are:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10-year smoothed within a 20% corridor to market value
Inflation	3%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation 7.5%, net of investment expense, including inflation
Investment rate of return	
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	2.50%

(1) This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

OTHER INFORMATION

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF INDIRECT COSTS
YEAR ENDED JUNE 30, 2018

INDIRECT COST POOL	
Salaries	\$ 462,342
Office space leases	400,766
Fringe benefits	257,011
Equipment rental	86,437
Mayor's Caucus	75,000
Consultants	72,494
Communications	60,933
Consumable supplies	50,819
Other	43,960
Agency insurance	43,323
Travel	16,860
Audit fees	33,200
Employee parking and transit	29,225
Printing	23,339
Interest expense	16,843
Building association fees	13,015
Postage	12,318
Meetings and conferences	11,949
Dues and subscriptions	11,546
Membership fees	9,849
Payroll services	8,074
Data services	6,758
Equipment repairs and maintenance	4,698
Office cleaning service	2,931
Building maintenance	<u>10,031</u>
Total indirect cost pool - expenditures	<u>1,763,721</u>
Depreciation	<u>3,423</u>
Total indirect cost allocations	<u><u>\$ 1,767,144</u></u>

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
GUARDIANSHIP AGENCY FUND
YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents	\$ 209,425	\$ 54,100	\$ 39,298	\$ 224,227
LIABILITIES				
Funds held in trust	\$ 209,425	\$ 54,100	\$ 39,298	\$ 224,227

See accompanying notes to financial statements.

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Program Name	CFDA Number	Contract/Grant Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF COMMERCE				
Economic Development	11.302	04-83-07032	\$ -	\$ 74,533
Total U.S. Department of Commerce			<u>-</u>	<u>74,533</u>
U.S. DEPARTMENT OF THE INTERIOR				
Passed through Tennessee Department of Environment and Conservation				
Historical Preservation	15.904	51319	-	4,393
Historical Preservation	15.904	55799	-	19,910
Total U.S. Department of the Interior			<u>-</u>	<u>24,303</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Tennessee Department of Transportation - Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	GG-51659	-	15,196
Highway Planning and Construction	20.205	GG-51655	-	(5,873)
Highway Planning and Construction	20.205	GG-18-56393	-	699,357
Total Highway Planning and Construction Cluster			<u>-</u>	<u>708,680</u>
Transportation Planning	20.505	L3880	-	566,451
Formula Grants for Rural Areas	20.509	L3665	-	29,745
Total U.S Department of Transportation			<u>-</u>	<u>1,304,876</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Tennessee Commission on Aging and Disability				
Special Programs for the Aging Title VII, Chapter 3 Programs				
for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	46355	-	111
Special Programs for the Aging Title VII, Chapter 3 Programs				
for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	54755	-	7,461
Total Program			<u>-</u>	<u>7,572</u>
Passed through Tennessee Commission on Aging and Disability				
Special Programs for the Aging Title VII, Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042	54755	48,000	48,000
Long Term Care Ombudsman Services for Older Individuals	93.042	50245	9,600	9,600
Total Program			<u>57,600</u>	<u>57,600</u>
Passed through Tennessee Commission on Aging and Disability				
Special Programs for the Aging Title III, Part D Disease				
Prevention and Health Promotion Services	93.043	46355	-	9,100
Prevention and Health Promotion Services	93.043	50245	8,469	8,469
Prevention and Health Promotion Services	93.043	54755	31,578	31,578
Total Program			<u>40,047</u>	<u>49,147</u>
<i>*Aging Cluster</i>				
Passed through Tennessee Commission on Aging and Disability				
Special Programs for the Aging Title III, Part B Grants				
for Supportive Services and Senior Centers	93.044	54755	774,829	1,244,511
for Supportive Services and Senior Centers	93.044	46355	22,972	22,972
Total Program			<u>797,801</u>	<u>1,267,483</u>

See independent auditor's report and notes to schedules

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Program Name	CFDA Number	Contract/Grant Number	Passed Through to Subrecipients	Expenditures				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)								
Passed through Tennessee Commission on Aging and Disability								
Special Programs for the Aging Title III, Part C								
Nutrition Services					93.045	54755	1,489,100	1,750,000
Nutrition Services Incentive Program					93.053	50245	270,300	270,300
Total Aging Cluster							2,557,201	3,287,783
Passed through Tennessee Commission on Aging and Disability								
National Family Caregiver Support, Title III, Part E					93.052	46355	34,098	34,098
National Family Caregiver Support, Title III, Part E					93.052	50245	199,071	435,495
Total Program							233,169	469,593
Passed through Tennessee Commission on Aging and Disability								
Medicare Enrollment Assistance Program					93.071	48480	-	78,909
Passed through Tennessee Commission on Aging and Disability								
State Health Insurance Assistance Program					93.324	53448	-	91,018
Passed through Tennessee Department of Finance and Administration Bureau of TennCare								
Medical Assistance Program					93.778	GG-12-35743-01	-	524,483
Total U.S Department of Health and Human Services							2,888,017	4,566,105
U.S. DEPARTMENT OF COMMERCE								
Economic Adjustment Assistance - Revolving Loan Fund					11.307	N/A	-	1,516,524 (1)
Total U.S Department of Commerce							-	1,516,524
			\$ 2,888,017	\$ 7,486,341				
	Notes Receivable 6/30/2018	Cash Balance 6/30/2018	Administrative Expenses	Loans Written Off	RLF Total	Federal Share	Expenditures	
Revolving Loan Fund	\$ 1,355,711	\$ 1,144,962	\$ 26,867	\$ -	\$ 2,527,540	60%	\$ 1,516,524 (1)	

See independent auditor's report and notes to schedules

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2018

Program Name	Contract/Grant Number	Passed Through to Subrecipients	Expenditures
TENNESSEE COMMISSION ON AGING AND DISABILITY			
Aging Services - State Homemaker, Senior Centers, Nutrition	54755	\$ 392,700	\$ 392,700
Aging Planning - State Options	54765	-	160,000
Aging Services - I&A - State Options	54765	-	116,183
Aging Services - Service Coordination - State Options	54765	-	469,146
Aging Services - Pass Thru - State Options	54765	936,290	936,290
Aging Services - State Options - Self-Directed	54765	98,075 (2)	98,075
Aging Services - Guardianship - State	54765	-	93,300
Aging Services - FCSP - State Pass Thru	50245	82,800	82,800
		<u>1,509,865</u>	<u>2,348,494</u>
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION			
Solid Waste Planning	49387	-	98,069
TENNESSEE HOUSING DEVELOPMENT AGENCY			
Technical Assistance Program 7/1/2017-6/30/2018		-	35,003
THDA Emergency Repair Program 7/1/2016-6/30/2018		-	181,585
		<u>-</u>	<u>216,588</u>
TENNESSEE DEPARTMENT OF TOURIST DEVELOPMENT			
Tourism Promotion - 9/1/2016-6/30/2021	51450	-	33,623
TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION			
BUREAU OF TENNCARE			
Medical Assistance Program	GG-12-35743-01	-	524,483
TENNESSEE ARTS COMMISSION			
Arts Build Communities	53171	-	39,422
		<u>\$ 1,509,865</u>	<u>\$ 3,260,679</u>

(2) \$98,075 represents expenditures submitted by the Agency for a contract the State had with a third party. Amounts were paid directly the the State to the third party, but included in the expenditures requested by the Agency.

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF PERFORMANCE BASED FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Program Name	Grantor Agency	CFDA Number	Contract/Grant Number	Passed through to Subrecipients	Amount Earned
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Community Development Block Grants	Vanleer	14.228	CDBG #16	\$ -	\$ 12,760
Community Development Block Grants	Stewart County	14.228	CDBG #18-01	-	3,350
Tennessee Housing Development Agency Grant	Rutherford County	14.228	14-THDA-H-10	-	10,035
Tennessee Housing Development Agency Grant	Hendersonville	14.228	17-THDA-H-03	-	3,000
Tennessee Housing Development Agency Grant	City of Levergne	14.228	17-THDA-H-02	-	3,000
Tennessee Housing Development Agency Grant	City of Cedar Hill	14.228	17-THDA-H-04	-	4,164
				<u>-</u>	<u>36,309</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Tennessee River Trails	Tennessee Department of Transportation	20.205	N/A	<u>-</u>	<u>10,000</u>
VETERANS AFFAIRS DEPARTMENT					
Veterans Medical Care Benefits	Tennessee Commission on Aging and Disability	64.009	34008	<u>-</u>	<u>2,205</u>
				<u>\$ -</u>	<u>\$ 48,514</u>

See independent auditor's report and notes to schedules

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF PERFORMANCE BASED STATE AWARDS
YEAR ENDED JUNE 30, 2018

Program Name	Grantor Agency	Contract/Grant Number	Passed through to Subrecipients	Amount Earned
Regional Capital Needs Inventory	Tennessee Advisory Commission on Intergovernmental Relations	54721	\$ -	\$ 130,790
Planning and Economic Development	Tennessee Department of Economic and Community Development		-	280,000
FDIP Grants Management	Coopertown	FDIP17	-	8,500
FDIP Grants Management	Montgomery County	FDIP 18-1	-	9,700
FDIP Grants Management	City of Portland	FDIP18-2	-	800
ECD Grants Management	Robertson County IDB	ECD	-	19,670
LEAP Grants Management	Hartsville	LEAP	-	10,941
			-	49,611
			\$ -	\$ 460,401

See independent auditor's report and notes to schedules

GREATER NASHVILLE REGIONAL COUNCIL
 NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the grant activity of the Greater Nashville Regional Council (“GNRC”) under programs of the federal and state governments for the year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) and State of Tennessee. Because the schedules present only a selected portion of the operations of GNRC, they are not intended to and do not present the financial position or changes in net position of GNRC.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass through to subrecipients include amounts collected by GNRC and subsequently remitted to the subrecipient. Payments to subrecipient are recorded on the accrual basis of accounting.

C. DE MINIMIS INDIRECT COST RATE

GNRC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

D. REVOLVING LOAN FUND

The revolving loan fund listed subsequently is administered by GNRC, and the balances and transactions relating to this program are included in GNRC’s basic financial statements. The balance of loans outstanding at June 30, 2018 consists of the following:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance</u>	<u>Federal Portion</u>	<u>Federal Portion Outstanding</u>
11.307	Revolving Loan Fund	\$1,355,711	60%	\$813,427



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*

Executive Committee Members
Greater Nashville Regional Council
Nashville, 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 major fund, and the agency fund of the Greater Nashville Regional Council ("GNRC"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise GNRC's basic financial statements and have issued our report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GNRC's internal control over financial reporting (internal control) to determine 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 GNRC's internal control. Accordingly, we do not express an opinion on the effectiveness of GNRC'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the GNRC'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*.

GNRC's Response to Finding

GNRC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. GNRC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 GNRC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GNRC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nashville, Tennessee
March 29, 2019



Independent Auditor's Report on Compliance for the Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance

Executive Committee Members
Greater Nashville Regional Council
Nashville, Tennessee

Report on Compliance for the Major Federal Program

We have audited Greater Nashville Regional Council's ("GNRC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on GNRC's major federal program for the year ended June 30, 2018. GNRC's major federal program is 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 GNRC'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 GNRC'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 GNRC's compliance.

Opinion on Each Major Federal Program

In our opinion, GNRC 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, 2018.

Report on Internal Control Over Compliance

Management of GNRC 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 GNRC's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 GNRC'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.



Nashville, Tennessee
March 29, 2019

GREATER NASHVILLE REGIONAL COUNCIL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2018

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes X No

Major Programs

CFDA Number	Grantor	Name of Federal Program	Amount Expended
Aging Cluster: 93.044	Department of Health and Human Services	Special Programs for the Aging Title III, Part B	\$1,267,483
93.045		Special Programs for the Aging Title III, Part C	1,750,000
93.053		Nutrition Services Incentive Program	270,300
Other Programs: 11.307	Department of Commerce	Revolving loan fund	1,516,524

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

Auditee qualified as low-risk auditee Yes X No

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2018

ITEM #2018-001

CAPITAL LEASES

Criteria, Condition, Context, Cause and Effect

Although management calculated the capital lease liability for computer equipment, we noted errors in the calculation, particularly in calculating the portion applicable to equipment and service costs. The errors resulted in capitalized computer equipment and the related capital lease liability were overstated, and there were no expenses related to service costs under the agreement.

Recommendation

We recommend GNRC implement review controls to ensure capital lease calculations are accurate and properly break out costs related to equipment and related service costs. We also recommend GNRC consider using a lease software to aid in developing capital lease schedules, and help reduce errors in lease liability and related capital asset calculations.

View of Responsible Officials and Planned Corrective Actions:

GNRC has been capitalizing the full cost of the capital lease for computer equipment including costs related to information technology services. GNRC will begin capitalizing only the portion of those leases which are for capital equipment.

GREATER NASHVILLE REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2018

ITEM #2018-002

PREPAID SOFTWARE SUBSCRIPTIONS

Criteria, Condition, Context, Cause and Effect

During our audit, we noted software subscription licenses that partially related to fiscal year 2019 were fully expensed in 2018. Amounts relating to a subsequent fiscal year should be accounted for as a prepaid expense in the balance sheet in order to properly match the expense with the period. Failure to record these subscriptions in the proper period could overstate expenses in one year and understate them in another year.

Recommendation

We recommend GNRC implement additional internal controls to properly identify and record software subscription costs that lap over more than one fiscal year in the proper period. Matching the cost to the proper period will provide accurate financial reporting.

View of Responsible Officials and Planned Corrective Actions:

GNRC's practice has been to expense the subscription in the period in which it was paid. GNRC will begin to record the expense as a prepaid item for the future period in which the software subscription applies.

III. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

None Reported.

GREATER NASHVILLE REGIONAL COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

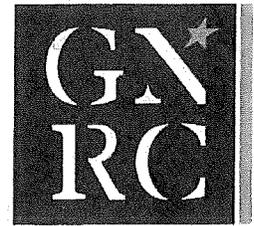
PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

Finding Number	Finding Title	Status
2017-001	Condition of financial records	Partially resolved; see repeat findings 2018-001 and 2018-002

Federal Award Findings and Questioned Costs

There were no prior year findings reported.



Corrective Action Plan

2018-001 Capital Leases

Corrective Action GNRC has been capitalizing the full cost of the capital lease for computer equipment including costs related to information technology services. GNRC will begin capitalizing only the portion of those leases which are for capital equipment.

Anticipated
Completion Date June 30, 2019

Name of Contact Person Gayle Wilson
Greater Nashville Regional Council
(615) 862 - 8839

2018-002 Prepaid Software Subscriptions

Corrective Action GNRC's practice has been to expense the subscription in the period in which it was paid. GNRC will begin to record the expense as a prepaid item for the future period in which the software subscription applies.

Anticipated
Completion Date June 30, 2019

Name of Contact Person Gayle Wilson
Greater Nashville Regional Council
(615) 862 - 8839

Respectfully submitted,



Gayle Wilson, Director of Finance