

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS AND  
AND OTHER FINANCIAL INFORMATION**

**Year Ended June 30, 2009**

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**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE**

**LIST OF OFFICIALS**

**June 30, 2009**

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<b>Levoy Knowles</b>	<b>Chairman</b>
<b>Joe Pugh</b>	<b>Vice chairman</b>
<b>Mark Brown</b>	<b>Treasurer/Secretary</b>
<b>Greg Brock</b>	<b>Director</b>
<b>Jeff Golden</b>	<b>Director</b>
<b>Joe Hamby</b>	<b>Director</b>
<b>Sandra Haynes</b>	<b>Director</b>
<b>Hubert King</b>	<b>Director</b>
<b>Glen Moore</b>	<b>Director</b>
<b>Herschel Wells, Jr.</b>	<b>Director</b>
<b>Jeff McCormick</b>	<b>Director of Economic Development</b>

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## INDEPENDENT AUDITORS' REPORT

Board of Directors

The Industrial Development Board of McMinnville-Warren County, Tennessee  
McMinnville, Tennessee

We have audited the accompanying financial statements of the governmental activities and the General Fund of The Industrial Development Board of McMinnville-Warren County, Tennessee, a joint venture between the City of McMinnville, Tennessee and Warren County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise The Industrial Development Board of McMinnville-Warren County, Tennessee's basis financial statements as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of McMinnville-Warren County, Tennessee's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the statement of budgetary comparison of the General Fund of The Industrial Development Board of McMinnville-Warren County, Tennessee, as of June 30, 2009, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2009, on our consideration of The Industrial Development Board of McMinnville-Warren County, Tennessee'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 to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iv through vi, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Industrial Development Board of McMinnville-Warren County, Tennessee basic financial statements. The financial information listed as supplementary information in the table of contents as pages 21 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of The Industrial Development Board of McMinnville-Warren County, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Denning & Cantrell*  
Certified Public Accountants

McMinnville, Tennessee  
October 15, 2009

**Industrial Development Board of  
McMinnville – Warren County, Tennessee**

The Industrial Development Board is pleased to present its Annual Financial Report developed in compliance with *Government Accounting Standards Board (GASB) Statement No. 34* and other related standards.

**Management's Discussion and Analysis**

The following discussion and analysis of the Industrial Development Board's activities and financial performance provides an introduction and overview to the Board's basic financial statements for the year ended June 30, 2009. It should be read in conjunction with the Board's financial statements.

**Board's Activities and Highlights**

- The Board's net assets increased from \$8,355,195 to \$9,232,210.
- The Board completed the construction of an access road in the Mountain View Industrial Park to make some 60 acres of land in the park marketable.
- The Board worked with TDOT to begin construction of the connector road in Mountain View Industrial Park.
- The Board began construction of a 50,000 sq. ft. speculative building in the Mountain View Industrial Park adjoining the new access road.
- The Board assisted Yorozu Automotive with two expansions resulting from the closure of their Mississippi plant and the idling of their Michigan plant.
- The Board assisted Jarden Consumer solutions to expand a new scissor line in their Cadillac Lane facility made possible due to their last year expansion in the old Aquatech facility.
- The Board made application to the Appalachian Region Commission for a grant, which was awarded, to aid in the purchase of equipment for the new Mechatronics training program to be offered at the local campus of Motlow State. The Board also assisted in soliciting funds from local business to obtain matching funds for the grant.
- The Board began construction of utilities to speculative building.

**Overview of the Financial Statements**

The Board's basic financial statements include a statement of net assets, statement of activities and changes in net assets, and notes to the financial statements.

The Board's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by GASB.

**Statement of Net Assets.** The statement of net assets presents the financial position of the Board. It presents information on the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating. In 2009 there was an increase in Net Assets.

**Statement of Activities.** The statement of activities presents a comparison between direct expenses and program revenues for each program function of the Board’s governmental activities.

**Governmental Fund Financial Statement.** The Board accounts for its financial activities in governmental funds. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance.

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.** Amounts reported for the governmental activity in the statement of activities are different because the net effect of various transactions involving capital assets is to increase net assets. Depreciation expense of capital assets is reported in government-wide statements of activity and changes in net assets but, since they do not require the use of current financial resources, it is not reported as an expenditure in the governmental fund. Principal payment of long-term debt consumes financial resources of the governmental fund and is therefore shown as an expenditure.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of data provided in the Board’s financial statements. The notes to the financial statements can be found on pages 11-19.

## Financial Analysis

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Board, assets exceed liabilities by \$8,353, 195 as of June 30, 2009.

A condensed summary of the Board’s statements of net assets as of June 30, 2009 is presented below with a comparative analysis between 2008 and 2009.

	<u>2008</u>	<u>2009</u>
Total Assets	\$12,896,152	\$13,924,939
Total Liabilities	4,542,957	4,692,729
Net assets invested in capital assets net of related debt	1,044,092	1,939,641
Unrestricted	7,170,738	6,659,909
Total Net Assets	8,353,195	9,232,210

The largest portion of the Board’s net assets represents its investments in capital assets such as land and buildings for present and future industrial use. Because the Board uses the capital assets to grow both existing and future industry and thus produce new employment opportunities, these assets are only available for future spending that might enhance their intended use.

**Change in net assets:** A condensed summary of the Board’s statements of activities and changes in net assets for the year ending June 30, 2009 is presented below. A comparative analysis with 2008 is also included.

	<u>2008</u>	<u>2009</u>
<b>Support &amp; Revenues</b>		
Operating Grants & Contributions	\$ 576,650	1,100,000
Rent	40,500	40,500
Interest & Investment Earnings	98,072	99,039
Miscellaneous	<u>6,382</u>	<u>30,537</u>
 Total Revenues	 721,604	 1,270,076
<b>Expenditures</b>		
Industrial Development	<u>532,907</u>	<u>391,061</u>
	188,697	879,0015
 Loss on Sale of Property	 <u>4,869,231</u>	 _____
 Increase in Fund Balance	 <u><u>4,680,534</u></u>	 <u><u>879,015</u></u>

Revenue of the Board includes City of McMinnville and Warren County contributions and rent from existing properties. Expenses for both years consist of the operation of the Board office and expenses associated with owning rental property.

### **Current Economic Factors**

The Board, having recently acquired additional property for the Mountain View Industrial Park, is now tasked with preparing the land for industrial use. This preparation includes planning, design, and construction of infrastructure to the property as well as the construction of suitable buildings. These improvements are under way.

### **Contracting the Board’s Financial Management**

This financial report is designed to provide creditors and funding agencies with general overview of the Board’s finances and show the Board’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Industrial Development Board of McMinnville-Warren County, Tennessee, 110 South Court Square, McMinnville, Tennessee 37110.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE**

**STATEMENT OF NET ASSETS**

June 30, 2009

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<b>Current assets:</b>	
Unrestricted cash	\$ 1,471,171
Interest receivable	9,971
Grant receivable	300,000
Federal Financial Assistance receivable	516,729
Capital lease receivable - current portion	<u>501,147</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,799,018</b>
<b>Non-current assets:</b>	
Certificate of deposit - restricted	\$ 140,178
Capital lease receivable	4,968,901
Less amount shown as current	<u>(501,147)</u>
	4,607,932
<b>Capital assets (net)</b>	<u><b>6,517,989</b></u>
	<u><b>13,924,939</b></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>Current liabilities:</b>	
Accounts payable	114,381
Current portion of long term debt	<u>501,482</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>615,863</b>
<b>Long Term Debt:</b>	
Notes payable	4,578,348
Less portion due within one year shown as current liability	<u>501,482</u>
	<u>4,076,866</u>
<b>TOTAL LIABILITIES</b>	<b>4,692,729</b>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	1,939,641
Restricted for capital expenditure	140,178
Restricted for debt service	501,482
Unrestricted	<u>6,650,909</u>
	<u>9,232,210</u>
	<u><b>\$ 13,924,939</b></u>

See Independent Auditors' Report and Notes to Financial Statements.



**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE**

**BALANCE SHEET - GOVERNMENTAL FUND**

June 30, 2009

		<u>General Fund</u>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Unrestricted cash	\$	1,471,171
Interest receivable		9,971
Grant receivable		300,000
Federal Financial Assistance receivable		516,729
Capital lease receivable		<u>501,147</u>
<b>Total current assets</b>		<b>2,799,018</b>
<b>Non-current assets:</b>		
Certificate of deposit - restricted	140,178	
Capital lease receivable	<u>4,467,754</u>	<u>4,607,932</u>
<b>Total assets</b>		<b><u><u>7,406,950</u></u></b>
<b><u>Liabilities</u></b>		
<b>Current liability -</b>		
Accounts Payable		114,381
<b>Non-current liability -</b>		
Deferred income on capital lease		<u>4,968,901</u>
<b>Total liabilities</b>		<b>5,083,282</b>
<b><u>Fund balances</u></b>		
<b>Unreserved, reported in:</b>		
General Fund		2,183,490
Reserved for capital outlay		<u>140,178</u>
<b>Total fund balances</b>		<b><u>2,323,668</u></b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b><u><u>7,406,950</u></u></b>

See Independent Auditors' Report and Notes to Financial Statements.

THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2009

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<b>Total Governmental Fund Balances</b>	<b>\$ 2,323,668</b>
<b>Amounts reported for governmental activities in the statement of net assets are different due to:</b>	
<b>Capital leases, not reported in the funds</b>	<b>4,968,901</b>
<b>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</b>	<b>6,517,989</b>
<b>Notes payable, not reported in the funds</b>	<b><u>(4,578,348)</u></b>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 9,232,210</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND**

Year ended June 30, 2009

		<u>General Fund</u>
<b>Support and revenues:</b>		
Rents	\$	40,500
Interest income		99,039
Miscellaneous		<u>30,537</u>
<b>TOTAL SUPPORT AND REVENUES</b>		<b>170,076</b>
 <b>Expenses:</b>		
Administrative expenses		120,496
Advertising and promotions		5,260
Seminars and workshops		1,835
Travel and entertainment		7,767
Insurance expense		9,160
Professional fees		3,000
Office supplies		1,520
Telephone		2,589
Rent		16,200
Printing and photography		4,262
Auto repair and maintenance		4,566
Dues and subscriptions		2,597
Development		1,036,071
Interest expense		100,869
Principal paid on notes		481,339
Other expenses		<u>5,808</u>
<b>TOTAL EXPENSES</b>		<b><u>1,803,339</u></b>
<b>EXCESS OF EXPENSES OVER SUPPORT AND REVENUES</b>		<b>(1,633,263)</b>
 <b>Other financing source (uses):</b>		
Payments from primary governments	\$	800,000
Grants		300,000
Collections on capital leases		467,262
Proceeds from notes payable to be received		<u>516,729</u>
<b>INCREASE IN FUND BALANCE</b>		<b>450,728</b>
 <b>Fund Balance at July 1, 2008</b>		<b><u>1,872,940</u></b>
 <b>Fund Balance at June 30, 2009</b>		<b><u>\$ 2,323,668</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2009

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 450,727</b>
<b>Capital assets reported as an expense in the funds, not reflected in the Statement of Changes in Net Assets</b>	<b>1,036,071</b>
<b>Depreciation expense not reported in the funds</b>	<b>(105,131)</b>
<b>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces debt in the Statement of Net Assets</b>	<b>481,339</b>
<b>Capital lease receipts reported as other financing source in the funds, not reflected in the Statement of Changes in Net Assets</b>	<b>(467,262)</b>
<b>Proceeds from notes to be received reported as other financing source in the funds, not reflected in the Statement of Changes in Net Assets</b>	<b><u>(516,729)</u></b>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 879,015</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE**

**STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND**

Year ended June 30, 2009

	Budget Original & Final	Actual
<b>Beginning fund balance July 1, 2008</b>	<b>\$ 1,872,940</b>	<b>\$ 1,872,940</b>
<b>Resources (inflows):</b>		
Rents	40,500	40,500
Interest income	106,160	99,039
Miscellaneous		30,537
	<hr/>	<hr/>
<b>Amounts available for appropriation</b>	<b>2,019,600</b>	<b>2,043,016</b>
<b>Expenses:</b>		
Administrative expenses	136,000	120,496
Advertising and promotions	11,727	5,260
Seminars and workshops	2,000	1,835
Travel and entertainment	8,000	7,767
Insurance expense	10,050	9,160
Professional fees	12,000	3,000
Office supplies	20,500	1,520
Rent		16,200
Telephone	2,000	2,589
Printing and photography	4,750	4,262
Auto repair and maintenance	5,000	4,566
Dues and subscriptions	2,900	2,597
Development	642,500	1,036,071
Interest expense		100,869
Principal paid on notes		481,339
Other expenses		5,808
	<hr/>	<hr/>
<b>Total charges to appropriations</b>	<b>857,427</b>	<b>1,803,339</b>
	<hr/>	<hr/>
	<b>1,162,173</b>	<b>239,677</b>
<b>Other financing source (uses):</b>		
Payments from primary governments	750,000	800,000
Grants		300,000
Collections on capital leases	310,200	467,262
Note proceeds to be received		516,729
	<hr/>	<hr/>
<b>Ending fund balance June 30, 2009</b>	<b>\$ 2,222,373</b>	<b>\$ 2,323,668</b>

See Independent Auditors' Report and Notes to Financial Statements.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Industrial Development Board of McMinnville - Warren County, Tennessee, Inc. (Board) was organized to promote industrial growth in the McMinnville and Warren County area. This growth is promoted by acquiring industrial real estate for either development or leasing of facilities. The Board complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**Financial Reporting Entity**

The Industrial Development Board of McMinnville-Warren County, Tennessee is the basic government that has financial accountability and control over all activities related to the recruiting of industry in McMinnville and Warren County. The Board receives funding primarily from McMinnville and Warren County along with other state and federal assistance and must comply with the accompanying requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since the Board's directors have decision making authority, the authority to contract, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 that are included in the Board's reporting entity. The Board is considered a joint venture between the City of McMinnville and Warren County, Tennessee. Five board members each are provided by the City of McMinnville and Warren County.

**Basis of Presentation**

**Government-wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: government, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Board or meets the following criteria:

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

See Independent Auditors' Report.

THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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The funds of the financial reporting entity are described below:

*Governmental Funds*

General Fund

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

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recored within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the timing of the related cash flows.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurment focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (b) The government-wide statement utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities is presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

See Independent Auditors' Report.

THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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**Assets, Liabilities, and Equity**

Cash

For the purpose of the Statement of Net Assets, "cash" includes all demand, savings accounts, and certificate of deposits of the Board.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include appropriations from the City of McMinnville and Warren County.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Concentrations of Credit Risk

Financial instruments that potentially subject the Board to significant concentrations of credit risk consist principally of cash. The Board places its cash with federally-insured financial institutions and limits the amount of credit exposure to any one institution by requiring collateral, if the deposit is not held by a bank that participates in the Tennessee Collateral Pool.

Capitalized Interest

Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Compensated Absences

The Board's policies regarding vacation time do not permit employees to accumulate earned but unused vacation leave. Therefore there is no liability for these compensated absences in the government-wide statements.

Equity Classifications

**Government-wide Statements**

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

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

See Independent Auditors' Report.

THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Budgetary Data

In accordance with the laws of the State of Tennessee, the Board adopts a budget each year. The budget for the next year is usually presented to the Board of Directors for their approval during the last month of the fiscal year. The budget must pass two readings before it is adopted. Once adopted the budget may be amended as the Board deems necessary. The budgetary amounts in these statements are as adopted by the Board. The budget is prepared in accordance with generally accepted accounting principles. The budget is prepared by fund. The legal level of budgetary control is the fund level.

Fixed Assets

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

**Government-wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost. The Board has adopted a capitalization threshold of \$2,500.

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

	<u>Years</u>
Buildings	39
Automobiles	5
Improvements	15
Office equipment, furniture and fixtures	5

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long Term Debt

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

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



THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**NOTE E - NOTES PAYABLE**

<p>Department of Economic and Community Development of the State of Tennessee commencing November 17, 2005 with an initial interest rate of 1.00% for the first 59 months, 2.00% for the next 59 months and 3.00% for the last 116 months of the note. The note is secured by a deed of trust on the property which is leased to Superior Walls of Tennessee, Inc., referred to in Note D. Monthly payments on this note range from \$3,371 to \$3,804.</p>	<p>\$ 648,886</p>
<p>Caney Fork Electric Cooperative, Inc. commencing July 3, 2000, collateralized by a deed of trust for real estate located in Warren County, payable \$ 3,438 monthly with interest at a rate of 0%</p>	<p>82,500</p>
<p>Department of Economic and Community Development of the State of Tennessee and Warren County commencing October 11, 2005, guaranteed by Ronald J. Wilson, President and CEO of Morrison Tool and Fab, Inc. payable monthly with an initial interest rate of 1.25% graded up to an ultimate rate of 3.25%. This note is secured by a deed of trust on the property which is leased to Morrison Tool and Fab, Inc. referred to in Note D. Monthly payments range from \$3,463 to \$3,905.</p>	<p>630,506</p>
<p>Caney Fork Electric Cooperative, Inc. commencing February 2, 2008, collateralized by a deed of trust and assignment of lease for real estate located in Warren County, payable \$ 2,652 monthly with interest at a rate of 5.0%</p>	<p>186,250</p>
<p>Caney Fork Electric Cooperative, Inc. commencing February 2, 2008, collateralized by a deed of trust and assignment of lease for real estate located in Warren County, payable \$ 2,500 monthly with interest at a rate of 0.0%</p>	<p>205,000</p>
<p>Caney Fork Electric Cooperative, Inc. commencing November 1, 2009 collateralized by a deed of trust and assignment of lease for real estate located in Warren County, payable \$ 6,852 monthly with interest at a rate of 0.0%</p>	<p>596,111</p>
<p>Tennessee Valley Authority commencing May 15, 2009 collateralized by a deed of trust for real estate located in Warren County, payable \$ 8,845 monthly with interest at a rate of 4.0%</p>	<p>712,707</p>
<p>Tennessee Valley Authority commencing April 1, 2003 collateralized by a deed of trust for real estate located in Warren County and a receivable from K &amp; K Properties, payable \$ 6,680 monthly with interest at a rate of 2.75%</p>	<p>284,923</p>
<p>Cumberland Area Investment Corp commencing May, 2009 collateralized by a deed of trust for real estate located in Warren County, payable \$ 2,295 monthly with interest at a rate of 4.5%</p>	<p>268,111</p>
<p>First National Bank of McMinnville commencing April 1, 2003 collateralized by a deed of trust for real estate located in Warren County and a receivable from K &amp; K Properties, payable \$ 11,106 monthly with interest at a rate of 6.0%</p>	<p>446,625</p>
<p><b>TOTAL</b></p>	<p><u>\$ 4,061,619</u></p>

See Independent Auditors' Report.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

**NOTE E - NOTES PAYABLE - continued**

The following is a schedule of changes in long term debt:

Balance at beginning of year	\$	4,542,957
Less payments made during year		<u>(481,338)</u>
Balance at end of year	\$	<u><u>4,061,619</u></u>

The notes mature as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 507,818	\$ 89,737	\$ 597,555
2011	538,622	79,232	617,854
2012	505,758	72,839	578,597
2013	468,560	57,150	525,710
2014	319,265	46,795	366,060
2015-2019	1,040,727	155,490	1,196,217
2020-2024	472,833	69,687	542,520
2025-2028	<u>208,036</u>	<u>8,254</u>	<u>216,290</u>
	<u>\$ 4,061,619</u>	<u>\$ 579,184</u>	<u>\$ 4,640,803</u>

Note - The above does not include a Rural Development Loan that will be received in the amount of \$516,729 to fund the construction of a new spec building.

**NOTE F - LEASE FOR FACILITIES**

The Board rents its office facilities from the McMinnville - Warren County Chamber of Commerce for functional operations. The rent is \$ 1,350 monthly and expires July 31, 2009. The rent expense for the year was \$16,200.

**NOTE G - OTHER LEASES**

The Board has entered into a lease agreement with Sunbeam Products, Inc., operating as Oster Professional Products. The leased property is the Sunbeam-Oster building located in McMinnville, Tennessee, and the lease term began on July 1, 2002 and will continue for a period of five years ending July 1, 2009. Sunbeam Products, Inc. pays \$ 28,500 annually to the Board for use of the property during the term of the lease.

The Board has renewed a lease agreement with Metal Products Company. The leased property is the Metal Products Company building located in McMinnville, Tennessee, and the lease term began on February 7, 2008 and will continue for a period of six years ending February 7, 2013. Metal Products Company pays \$ 1,000 monthly for the use of the property to the Board during the term of the lease.

THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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NOTE G - OTHER LEASES - continued

Future minimum rental receipts under the above leases are scheduled as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 12,000
2011	12,000
2012	12,000
2013	8,000
	<u>8,000</u>
	<u>\$ 44,000</u>

NOTE H - NET ASSETS

Net assets represent the difference between assets and liabilities. The net assets are as follows:

Invested in capital assets, net of related debt:

Net property and equipment	\$ 6,517,989
Less: Notes payable	<u>4,578,348</u>
	<u>1,939,641</u>

Restricted for capital expenditures	<u>140,178</u>
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Restricted for debt service	<u>501,482</u>
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Unrestricted	<u>6,650,909</u>
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	<u>\$ 9,232,210</u>
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NOTE I - ADVERTISING

Advertising in the amount of \$ 5,260 was expensed for the year.

NOTE J - CONCENTRATION OF CREDIT RISKS

Accounts receivable are concentrated in Warren County, Tennessee.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE-WARREN COUNTY, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

**NOTE L - CAPITAL LEASE RECEIVABLES**

The Board has entered into a lease agreement with K & K Properties for industrial property located in McMinnville, Tennessee. This property was purchased by the Board, on March 3, 2003. The property was purchased from K & K Properties for the purpose of completing a sale-leaseback transaction. The lease was financed by K & K Properties through First National Bank in McMinnville, Tennessee, and includes monthly payments totaling \$ 17,786 beginning April 2003 and ending March 2013. At termination, the lease includes a bargain purchase clause for K & K Properties. If K & K Properties defaults on the loan, the Board would be liable for the remaining balance owed to the bank.

The Board has entered into a capital lease agreement with Superior Walls of East Tennessee, Inc. for a new building constructed on Highway 70S in Warren County, Tennessee. The lease term began on June 1, 2008 and will continue for a period of 20 years. Superior Walls of East Tennessee, Inc. will pay \$ 3,371 per month for the first 60 months (including interest at a rate of 1.0%), \$3,625 for the next 60 months (including interest at a rate of 2.0%) and \$ 3,804 for the remaining 120 months (including interest at a rate of 3.0%) to the Department of Economic and Community Development of the State of Tennessee on behalf of the Board to be applied to the note payable referred to in note E. Superior Walls of East Tennessee, Inc. has an option to purchase the leased property for an amount equal to the total of all unpaid installments under the note associated with the property plus an additional \$ 250.

The Board has entered into a capital lease agreement for the the sale of a manufacturing facility in Morrison, Tennessee to Morrison Tool & Fab., Inc. The lease term began on March 1, 2008 and will continue for 15 years. Under the terms of the lease, monthly payments are \$ 25,850 including interest at a rate of .25%. Morrison Tool & Fab, Inc. has the option to purchase the facility for \$ 1 at the end of the lease.

Future minimum capital lease receivables are as follows:

Fiscal year ending June 30,	Superior Walls of East Tennessee, Inc.	Morrison Tool & Fab, Inc.	K & K Properties	Amount
2010	\$ 19,851	\$ 298,567	\$ 182,729	\$ 501,147
2011	34,072	302,322	191,522	527,916
2012	32,069	303,078	200,758	535,905
2013	32,716	303,837	156,538	493,091
2014	33,377	304,597		337,974
Beyond five years	496,801	2,076,067		2,572,868
<b>TOTAL</b>	<b>\$ 648,886</b>	<b>\$ 3,588,468</b>	<b>\$ 731,547</b>	<b>\$ 4,968,901</b>

**NOTE M - EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures exceeded appropriations in the General Fund by \$945,912.

**OTHER SUPPLEMENTARY INFORMATION**

THE INDUSTRIAL DEVELOPMENT BOARD OF McMinnville-Warren County, Tennessee

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2009

Year Ended June 30,	Caney Fork Electric Cooperative Non-Interest Bearing Loans			Caney Fork Electric Cooperative		
	Principal	Principal	Principal	Principal	Interest	Total
2010	\$ 41,250	\$ 30,000	\$ 82,222	\$ 23,030	\$ 8,790	\$ 31,820
2011	41,250	30,000	82,222	24,208	7,611	31,819
2012		30,000	82,222	25,447	6,373	31,820
2013		30,000	82,222	26,749	5,071	31,820
2014		30,000	82,222	28,117	3,702	31,819
2015		30,000	82,222	29,556	2,264	31,820
2016		25,000	82,222	29,143	752	29,895
2017			20,557			
<b>TOTAL</b>	<b>\$ 82,500</b>	<b>\$ 205,000</b>	<b>\$ 596,111</b>	<b>\$ 186,250</b>	<b>\$ 34,563</b>	<b>\$ 220,813</b>

Year Ended June 30,	TN Dept of Economic & Community Development			TN Dept of Economic & Community Development		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 33,866	\$ 7,688	\$ 41,554	\$ 19,851	\$ 3,736	\$ 23,587
2011	36,531	8,207	44,738	34,072	6,631	40,703
2012	32,388	12,270	44,658	32,069	11,606	43,675
2013	33,124	11,534	44,658	32,716	10,959	43,675
2014	33,877	10,781	44,658	33,377	10,299	43,676
2015	34,648	10,010	44,658	34,050	9,625	43,675
2016	34,992	10,215	45,207	34,576	9,297	43,873
2017	34,658	12,197	46,855	33,658	12,385	46,043
2018	35,801	11,054	46,855	34,682	11,361	46,043
2019	36,982	9,873	46,855	35,737	10,306	46,043
2020	38,202	8,653	46,855	36,824	9,219	46,043
2021	39,462	7,393	46,855	37,944	8,099	46,043
2022	40,764	6,091	46,855	39,098	6,945	46,043
2023	42,109	4,746	46,855	40,287	5,756	46,043
2024	43,498	3,357	46,855	41,513	4,531	46,044
2025	44,933	1,922	46,855	42,775	3,268	46,043
2026	34,671	471	35,142	44,076	1,967	46,043
2027				41,581	626	42,207
<b>TOTAL</b>	<b>\$ 630,506</b>	<b>\$ 136,462</b>	<b>\$ 766,968</b>	<b>\$ 648,886</b>	<b>\$ 136,616</b>	<b>\$ 785,502</b>

See Independent Auditors' Report.

**THE INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE-WARREN COUNTY, TENNESSEE**

**SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS**

June 30, 2009

Year Ended June 30,	Cumberland Area Investment Corporation			Tennessee Valley Authority		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 15,798	\$ 11,742	\$ 27,540	\$ 79,072	\$ 27,072	\$ 106,144
2011	16,524	11,016	27,540	82,293	23,851	106,144
2012	17,283	10,257	27,540	85,591	20,553	106,144
2013	18,077	9,463	27,540	89,133	17,011	106,144
2014	18,907	8,633	27,540	92,765	13,380	106,145
2015	19,776	7,764	27,540	96,544	9,600	106,144
2016	20,684	6,855	27,539	100,464	5,680	106,144
2017	21,634	5,905	27,539	86,845	1,564	88,409
2018	22,628	4,911	27,539			
2019	23,668	3,872	27,540			
2020	24,755	2,784	27,539			
2021	25,893	1,647	27,540			
2022	22,484	466	22,950			
<b>TOTAL</b>	<b>\$ 268,111</b>	<b>\$ 85,315</b>	<b>\$ 353,426</b>	<b>\$ 712,707</b>	<b>\$ 118,711</b>	<b>\$ 831,418</b>

  

Year Ended June 30,	Tennessee Valley Authority			First National Bank		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 73,242	\$ 6,918	\$ 80,160	\$ 109,487	\$ 23,791	\$ 133,278
2011	75,282	4,878	80,160	116,240	17,038	133,278
2012	77,372	2,788	80,160	123,386	8,992	132,378
2013	59,027	677	59,704	97,512	2,435	99,947
<b>TOTAL</b>	<b>\$ 284,923</b>	<b>\$ 15,261</b>	<b>\$ 300,184</b>	<b>\$ 446,625</b>	<b>\$ 52,256</b>	<b>\$ 498,881</b>

The Board expects to receive loan proceeds from Rural Development in the amount of \$516,729 to help fund the cost of a new building for speculative purposes.

THE INDUSTRIAL DEVELOPMENT BOARD OF  
McMINNVILLE - WARREN COUNTY, TENNESSEE

SCHEDULE OF INSURANCE IN FORCE

June 30, 2009

The Board had the following insurance coverage in force at June 30, 2009:

<u>Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
<b>Property and Crime:</b>		
Personal property	\$ 55,000	August 29, 2009
Employee dishonesty	100,000	
Forgery, theft, computer fraud	100,000	
<b>Workman's Compensation</b>	Statutory	August 29, 2009
<b>General Liability:</b>		August 29, 2009
Bodily injury	300,000 per incident 700,000 aggregate	
Catastrophic medical	1,000,000	
Accidental medical payments	1,000 per incident 10,000 aggregate	
Fire	100,000	
Impounded property	100,000	
Errors and omissions	5,000,000	
<b>Automobile Liability:</b>		August 29, 2009
Bodily injury	300,000 per incident 700,000 aggregate	
Property damage	100,000	
Catastrophic medical	1,000,000	
Medical payments	1,000 per incident 10,000 aggregate	
<b>Uninsured motorist:</b>		
Bodily injury	300,000	
Property damage	100,000	
Comprehensive & collision	per schedule	

See Independent Auditors' Report.

**THE INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE-WARREN COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2009

<b>Grantor Agency</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Balance on 07/01/08</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Balance on 06/30/09</b>
* - Caney Fork Electric Cooperative/ Rural Economic Development/ U.S. Department of Agriculture	10.854	Unknown	\$ 0	\$ 0	\$ 300,000	\$ (300,000)
* - U.S. Department of Agriculture/ Rural Development Loan	10.854	Unknown	\$ 0	\$ 0	\$ 516,729	\$ (516,729)

\* - denotes a major federal program

**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**

Board of Directors

The Industrial Development Board of McMinnville-Warren County, Tennessee  
McMinnville, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of The Industrial Development Board of McMinnville-Warren County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise The Industrial Development Board of McMinnville-Warren County, Tennessee's basic financial statements and have issued our report thereon dated October 15, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Industrial Development Board of McMinnville-Warren County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of The Industrial Development Board of McMinnville-Warren County, Tennessee internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Industrial Development Board of McMinnville-Warren County, Tennessee's internal control over financial reporting.

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 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of The Industrial Development Board of McMinnville-Warren County, Tennessee's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Industrial Development Board of McMinnville-Warren County, Tennessee's financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 09-1. The Industrial Development Board of McMinnville-Warren County, Tennessee's response to this finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit The Industrial Development Board of McMinnville-Warren County, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, The Industrial Development Board of McMinnville-Warren County's Board of Directors, others within the entity, Tennessee's Comptroller's office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning & Cantrell*  
Certified Public Accountants

McMinnville, Tennessee  
October 15, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

Board of Directors  
The Industrial Development Board of McMinnville-Warren County, Tennessee  
McMinnville, Tennessee

**Compliance**

We have audited the compliance of The Industrial Development Board of McMinnville-Warren County, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for they year ended June 30, 2009. The Industrial Development Board of McMinnville-Warren County, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Industrial Development Board of McMinnville-Warren County, Tennessee's management. Our responsibility is to express an opinion on The Industrial Development Board of McMinnville-Warren County, Tennessee's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about The Industrial Development Board of McMinnville-Warren County, Tennessee'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. Our audit does not provide a legal determination of The Industrial Development Board of McMinnville-Warren County, Tennessee's compliance with those requirements.

In our opinion, The Industrial Development Board of McMinnville-Warren County, Tennessee, compiled, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of The Industrial Development Board of McMinnville-Warren County, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Industrial Development Board of McMinnville-Warren

County, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Industrial Development Board of McMinnville-Warren County, Tennessee's internal control over compliance

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of The Industrial Development Board of McMinnville-Warren County Board of Directors, others within the entity, Tennessee's Comptroller's office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning & Cantrell*

Certified Public Accountants

McMinnville, Tennessee  
October 15, 2009

THE INDUSTRIAL DEVELOPMENT BOARD OF  
MCMINNVILLE-WARREN COUNTY, TENNESSEE  
FINDINGS AND RESPONSES  
June 30, 2009

We have issued an unqualified opinion on The Industrial Development Board of McMinnville-Warren County, Tennessee's financial statements. During our audit we did not become aware of any material weakness in internal control or noncompliance which are required to be reported. An unqualified opinion was rendered as to the compliance for major programs.

The Industrial Development Board of McMinnville-Warren County, Tennessee had two major programs for the audit period. These programs were both for the Mt. View Industrial Park spec building which are listed on the Schedule of Federal Awards. The dollar threshold to distinguish between Type A and Type B programs was expenditures in excess of \$300,000. The auditee did not qualify as a low risk audit.

**Financial statement findings**

09-1 Finding - Expenditures exceeded appropriations in the General Fund by \$945,912.

Recommendation - The budget should be appropriately amended to ensure expenditures do not exceed appropriations.

Response - "We concur with the auditors' recommendation."

A similar finding to 09-1 was mentioned in last year's report.