

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

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

Year Ended June 30, 2011

>>>>>>>>> CONTENTS <<<<<<<<<<

List of Officials.....	Page i
Independent Auditors' Report.....	ii
Management's Discussion and Analysis	iv
Audited Financial Statements:	
Statement of Net Assets.....	4
Statement of Activities and Changes in Net Assets.....	5
Balance Sheet - Governmental Fund.....	6
Reconciliation of Total Governmental Fund Balance to Net Assets	
of Governmental Activities.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	8
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the Statement	
of Activities.....	9
Statement of Budgetary Comparison - General Fund.....	10
Notes to Financial Statements.....	11
Other Supplementary Information:	
Schedule of Long Term Debt Principal and Interest Requirements.....	22
Schedule of Insurance in Force.....	24
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.....	25
Schedule of Findings and Responses.....	27

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

LIST OF OFFICIALS

June 30, 2011

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

Denning & Cantrell

CPA's, PLLC
Members of AICPA & TSCPA
cpas@blomand.net

15 Keel Drive
McMinnville, TN 37110
(931) 815-1100
Fax (931) 815-1099

James L. Denning, Jr. CPA
(931) 668-7407
G. Wayne Cantrell, Jr. CPA
(931) 934-3155

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Industrial Development Board of McMinnville-Warren County
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, 2011, 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 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 statement of budgetary comparison of the General Fund of The Industrial Development Board of McMinnville-Warren County, Tennessee, as of June 30, 2011, and the respective changes in financial position thereof 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 December 30, 2011, 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.

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 opinions on the financial statements that collectively comprise The Industrial Development Board of McMinnville-Warren County, Tennessee basic financial statements. The other supplementary information and list of officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The list of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Denning & Cantrell

Certified Public Accountants

McMinnville, Tennessee
December 30, 2011

**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, 2011. It should be read in conjunction with the Board’s financial statements.

Board’s Activities and Highlights

- The Board’s net assets decreased from \$10,661,894 to \$10,425,518.
- The Board worked with TDOT to complete construction of Brost Dr. in the Mountain View Industrial Park.
- The Board began site work for Speculative Building 3 in the Mountain View Industrial Park adjoining the new access road (Brost Dr.).
- The Board assisted Yorozu Automotive with expansions increasing their employment to approximately 1,200.
- The Board through its GROW committee helped to locate the Goodwill Store and Great Clips to McMinnville.
- The Board purchased training equipment for the Mechatronics Program at the Warren Co. High School to enhance local workforce development.
- The Board with the aid of Middle TN Natural Gas extended natural gas along the newly constructed connector road to aid in future development of the Mountain View Industrial Park.
- The Board began improvements to Speculative Building 2 in preparation for the opening of Miniature Precision Components.
- The Board began design and layout for the future Speculative Building 3.
- The Board submitted two sites to TVA for approval as Tier 1 Data Center sites in the McMinnville area.
- The Board assisted Mayfield Lumber with an expansion in McMinnville.

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 2011 there was an decrease in the 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 the 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, depreciation expense 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 11-20.

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 \$10,425,518 as of June 30, 2011.

A condensed summary of the Board’s statements of net assets of June 30, 2011 is presented below with a comparative analysis between 2009 - 2011.

	2009	2010	2011
Total Assets	\$13,924,939	\$15,353,821	\$14,660,291
Total Liabilities	\$ 4,692,729	\$ 4,691,927	\$ 4,234,673
Net Assets invested in capital assets, net of related debt	\$ 1,939,641	\$ 3,416,289	\$ 3,037,313
Unrestricted	\$ 6,659,909	\$ 6,994,184	\$ 6,828,025
Total Net Assets	\$ 9,232,210	\$10,661,894	\$10,425,618

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.

Changes in net assets: A condensed summary of the Board's statements of activities and changes in net assets for the year ending June 30, 2011 is presented below. A comparative analysis with 2009 & 2010 is also included.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Support & Revenues			
Operating Grants & Contributions	\$1,100,000	\$2,299,834	\$1,398,677
Rent	\$ 40,500	\$ 43,500	\$ 43,500
Interest & Investment Earnings	\$ 99,039	\$ 81,950	\$ 68,490
Miscellaneous	<u>\$ 30,537</u>	<u>\$ 16,788</u>	<u>\$ 25,081</u>
 Total Revenues	 \$ 1,270,076	 \$2,442,072	 \$1,535,748
 Expenditures			
Industrial Development	<u>\$ 391,061</u>	<u>\$ 687,274</u>	<u>\$ 1,772,024</u>
 Increase in Fund Balance	 <u>\$ 879,015</u>	 <u>\$1,754,798</u>	 <u>\$ (236,376)</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.

Contacting the Board's Financial Management

This financial report is designed to provide creditors and funding agencies with a 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, TN 37110.

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

STATEMENT OF NET ASSETS

June 30, 2011

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Current assets:	
Unrestricted cash	\$ 2,692,894
Interest receivable	3,310
Receivable from Warren County	300,000
Capital lease receivable - current portion	<u>535,740</u>
TOTAL CURRENT ASSETS	3,531,944
Non-current assets:	
Certificate of deposit - restricted	\$ 560,280
Capital lease receivable	3,977,513
Less amount shown as current	<u>(535,740)</u>
	4,002,053
Capital assets (net)	<u>7,126,294</u>
	<u><u>14,660,291</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	145,692
Current portion of long term debt	<u>641,245</u>
TOTAL CURRENT LIABILITIES	786,937
Long Term Debt:	
Notes payable	4,088,981
Less portion due within one year shown as current liability	<u>641,245</u>
	<u>3,447,736</u>
TOTAL LIABILITIES	4,234,673
Net assets:	
Invested in capital assets, net of related debt	3,037,313
Restricted for economic development	560,280
Unrestricted	<u>6,828,025</u>
	<u>10,425,618</u>
	<u><u>\$ 14,660,291</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
Industrial development	\$ 1,772,024		\$ 1,398,677	\$ (373,347)
		General revenues:		
			Rent	43,500
			Interest and investment earnings	68,490
			Miscellaneous	25,081
			Total general revenues	137,071
			Change in net assets	(236,276)
		Beginning net assets		10,661,894
		Ending net assets		\$ 10,425,618

Note - Interest of \$ 79,837 has been included in expenses.

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

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2011

		General Fund
<u>Assets</u>		
Current assets:		
Unrestricted cash	\$	2,692,894
Interest receivable		3,310
Receivable from Warren County		300,000
Capital lease receivable		<u>535,740</u>
Total current assets		3,531,944
Non-current assets:		
Certificate of deposit - restricted	560,280	
Capital lease receivable	<u>3,441,773</u>	<u>4,002,053</u>
Total assets		<u>7,533,997</u>
<u>Liabilities</u>		
Current liability -		
Accounts Payable		145,692
Non-current liability -		
Deferred income on capital lease		<u>3,977,513</u>
Total liabilities		4,123,205
<u>Fund balances</u>		
Assigned for capital outlay		560,280
Unassigned		<u>2,850,512</u>
Total fund balances		<u>3,410,792</u>
Total liabilities and fund balances	\$	<u>7,533,997</u>

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, 2011

Total Governmental Fund Balances	\$ 3,410,792
Amounts reported for governmental activities in the statement of net assets are different due to:	
Capital leases, not reported in the funds	3,977,513
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,126,294
Notes payable, not reported in the funds	<u>(4,088,981)</u>
Net Assets of Governmental Activities	<u>\$ 10,425,618</u>

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, 2011

		<u>General Fund</u>
Support and revenues:		
Rents	\$	43,500
Interest income		68,490
Miscellaneous		<u>25,081</u>
TOTAL SUPPORT AND REVENUES		137,071
 Expenses:		
Administrative expenses		121,075
Advertising and promotions		1,765
Seminars and workshops		1,005
Travel and entertainment		1,863
Insurance expense		11,088
Professional fees		3,017
Office supplies		18,713
Telephone		2,224
Printing and photography		2,305
Auto repair and maintenance		5,077
Dues and subscriptions		2,902
Development		539,271
Interest expense		79,836
Principal paid on notes		593,131
Maintenance on industrial park		9,576
Other expenses		<u>200</u>
TOTAL EXPENSES		<u>1,393,048</u>
EXCESS OF EXPENSES OVER SUPPORT AND REVENUES		(1,255,977)
 Other financing source (uses):		
Payments from primary governments	\$	1,284,000
Collections on capital leases		527,813
Donations		<u>114,677</u>
		<u>1,926,490</u>
INCREASE IN FUND BALANCE		670,513
 Fund Balance at July 1, 2010		<u>2,740,279</u>
 Fund Balance at June 30, 2011		<u>\$ 3,410,792</u>

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 670,513
Capital assets reported as an expense in the funds, not reflected in the Statement of Changes in Net Assets	348,136
Donation of land and building to City of McMinnville not reported in the funds	(1,215,426)
Depreciation expense not reported in the funds	(104,816)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces debt in the Statement of Net Assets	593,130
Capital lease receipts reported as other financing source in the funds, not reflected in the Statement of Changes in Net Assets	<u>(527,813)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (236,276)</u></u>

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, 2011

	Budget		Actual
	Original	Final	
Beginning fund balance July 1, 2010	\$ 2,740,279	\$ 2,740,279	\$ 2,740,279
Resources (inflows):			
Rents	43,500	43,500	43,500
Interest income	50,000	35,000	68,490
Miscellaneous			25,081
	<u>2,833,779</u>	<u>2,818,779</u>	<u>2,877,350</u>
Amounts available for appropriation			
	2,833,779	2,818,779	2,877,350
Expenses:			
Administrative expenses	121,770	121,770	121,075
Advertising and promotions	10,000	2,000	1,765
Seminars and workshops	2,000	2,000	1,005
Travel and entertainment	8,000	2,000	1,863
Insurance expense	9,500	9,500	11,088
Professional fees	2,000	3,100	3,017
Office supplies	18,600	18,000	18,713
Maintenance on industrial park		11,000	9,576
Telephone	2,500	2,500	2,224
Printing and photography	3,500	2,500	2,305
Auto repair and maintenance	6,000	6,000	5,077
Dues and subscriptions	2,900	3,100	2,902
Development	891,135	416,135	539,271
Interest expense	79,837	79,837	79,836
Principal paid on notes	593,131	593,131	593,131
Other expenses	2,000	2,000	200
	<u>1,752,873</u>	<u>1,274,573</u>	<u>1,393,048</u>
	1,752,873	1,274,573	1,393,048
	<u>1,080,906</u>	<u>1,544,206</u>	<u>1,484,302</u>
	1,080,906	1,544,206	1,484,302
Other financing source (uses):			
Payments from primary governments	1,284,000	984,000	1,284,000
Collections on capital leases	564,342	564,342	527,813
Donations	114,677	114,677	114,677
	<u>1,962,619</u>	<u>1,662,619</u>	<u>1,926,490</u>
	1,962,619	1,662,619	1,926,490
Ending fund balance June 30, 2011	\$ <u><u>3,043,925</u></u>	\$ <u><u>3,207,225</u></u>	\$ <u><u>3,410,792</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE - WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011

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 financial resources not accounted for and reported in another fund.

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, 2011

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, 2011

Fund Statements

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

Nonspendable Fund Balance

This category represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance

This category represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance

This category represents amounts that can only be used for specific purposes imposed by a formal action of the Board's highest level of decision-making authority, the Town Council. Committed resources cannot be used for any other purpose unless the Town Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned Fund Balance

This category represents amounts the Town intends to use for specific purposes as expressed by the Board of Directors or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund.

Unassigned Fund Balance

This category represents the residual classification for the general fund or deficit balances in other funds.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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.

See Independent Auditors' Report.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011

NOTE E - NOTES PAYABLE

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 \$3,640 to \$3,837.	\$ 594,963
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%	20,625
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.	562,775
Caney Fork Electric Cooperative, Inc. commencing February 2, 2010, 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%	151,267
Caney Fork Electric Cooperative, Inc. commencing February 2, 2010, 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%	160,000
Caney Fork Electric Cooperative, Inc. commencing November 1, 2011 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%	472,778
Tennessee Valley Authority commencing May 15, 2011 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%	551,342
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 & K Properties, payable \$ 6,680 monthly with interest at a rate of 2.75%	136,400
Cumberland Area Investment Corp commencing May, 2011 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%	235,789
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 & K Properties, payable \$ 11,106 monthly with interest at a rate of 6.0%	220,821

See Independent Auditors' Report.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E - NOTES PAYABLE - continued

Caney Fork Electric Cooperative, Inc. commencing January 1, 2011 collateralized by a deed of trust and assignment of lease for real estate located in Warren County, payable \$ 2,778 monthly with interest at a rate of 0.0%	283,333
Caney Fork Electric Cooperative, Inc. commencing January 1, 2011 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%	698,888
TOTAL	<u>\$ 4,088,981</u>

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

Balance at beginning of year	\$ 4,682,111
Less payments made during year	<u>(593,130)</u>
Balance at end of year	<u>\$ 4,088,981</u>

The notes mature as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 641,245	\$ 74,434	\$ 715,679
2013	583,328	58,367	641,695
2014	434,068	47,550	481,618
2015	441,561	40,056	481,617
2016	448,877	33,302	482,179
2017-2021	1,058,778	121,949	1,180,727
2022-2026	439,544	40,086	479,630
2027	41,580	627	42,207
	<u>\$ 4,088,981</u>	<u>\$ 416,371</u>	<u>\$ 4,505,352</u>

Governmental activities debt is retired by the General Fund.

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 is from month to month. 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 June 30, 2012. 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, 2010 and will continue for a period of six years ending March 31, 2012. Metal Products Company pays \$ 1,000 monthly for the use of the property to the Board during the term of the lease.

See Independent Auditors' Report.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G - OTHER LEASES - continued

The Board collected \$3,000 lease on land at the industrial park. This lease was only for a year and expires December 31, 2011.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2012	<u>\$ 37,500</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	\$ 7,126,294
Less: Notes payable	<u>4,088,981</u>
	<u>3,037,313</u>
 Restricted for economic development	 <u>560,280</u>
 Unrestricted	 <u>6,828,025</u>
	 <u>\$ 10,425,618</u>

NOTE I - ADVERTISING

Advertising in the amount of \$ 1,766 was expensed for the year.

NOTE J - CONCENTRATION OF CREDIT RISKS

Accounts receivable are concentrated in Warren County, Tennessee.

NOTE K - CREDIT RISK - DEPOSITS

Various state statutes restrict the types of deposits available to the District. Deposits are limited to bank demand deposits, certificates of deposits, governmental overnight repurchase accounts and the State Local Government Investment Pool (SLGIP).

See Independent Auditors' Report.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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. is exempt from federal income

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, 2009 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, 2009 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
2012	\$ 32,069	\$ 302,921	\$ 200,750	\$ 535,740
2013	32,716	303,679	156,470	492,865
2014	33,377	304,439		337,816
2015	34,050	305,201		339,251
2016	34,576	305,965		340,541
Beyond five years	<u>428,175</u>	<u>1,503,125</u>		<u>1,931,300</u>
TOTAL	\$ <u>594,963</u>	\$ <u>3,025,330</u>	\$ <u>357,220</u>	\$ <u>3,977,513</u>

NOTE M - EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the General Fund by \$118,475.

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

THE INDUSTRIAL DEVELOPMENT BOARD OF McMinnville-Warren County, Tennessee

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2011

Year Ended June 30,	Caney Fork Electric Cooperative Non-Interest Bearing Loans				
	Principal	Principal	Principal	Principal	Principal
2012	\$ 20,625	\$ 30,000	\$ 82,224	\$ 82,222	\$ 33,333
2013		30,000	82,224	82,222	33,333
2014		30,000	82,224	82,222	33,333
2015		30,000	82,224	82,222	33,333
2016		30,000	82,224	82,222	33,333
2017		10,000	61,658	82,222	33,333
2018				82,222	33,333
2019				82,222	33,333
2020				41,112	16,669
TOTAL	\$ 20,625	\$ 160,000	\$ 472,778	\$ 698,888	\$ 283,333

Year Ended June 30,	TN Dept of Economic & Community Development			TN Dept of Economic & Community Development		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 32,328	\$ 12,330	\$ 44,658	\$ 32,069	\$ 11,606	\$ 43,675
2013	33,062	11,596	44,658	32,716	10,959	43,675
2014	33,814	10,844	44,658	33,377	10,298	43,675
2015	34,583	10,075	44,658	34,050	9,625	43,675
2016	35,071	9,953	45,024	34,576	9,297	43,873
2017	34,564	12,290	46,854	33,658	12,385	46,043
2018	35,704	11,150	46,854	34,682	11,361	46,043
2019	36,882	9,972	46,854	35,737	10,306	46,043
2020	38,099	8,756	46,855	36,824	9,219	46,043
2021	39,356	7,499	46,855	37,944	8,099	46,043
2022	40,654	6,201	46,855	39,098	6,945	46,043
2023	41,995	4,859	46,854	40,287	5,756	46,043
2024	43,381	3,474	46,855	41,513	4,530	46,043
2025	44,812	2,043	46,855	42,775	3,268	46,043
2026	38,470	576	39,046	44,076	1,967	46,043
2027				41,581	628	42,209
TOTAL	\$ 562,775	\$ 121,618	\$ 684,393	\$ 594,963	\$ 126,249	\$ 721,212

See Independent Auditors' Report.

THE INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE-WARREN COUNTY, TENNESSEE

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2011

Year Ended June 30,	Cumberland Area Investment Corporation			Tennessee Valley Authority		
	Principal	Interest	Total	Principal	Interest	Total
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	1,608	88,453
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	467	22,951			
TOTAL	\$ 235,789	\$ 62,558	\$ 298,347	\$ 551,342	\$ 67,832	\$ 619,174

Year Ended June 30,	Tennessee Valley Authority			First National Bank		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 77,372	\$ 2,789	\$ 80,161	\$ 123,378	\$ 9,899	\$ 133,277
2013	59,027	1,092	60,119	97,442	2,516	99,958
TOTAL	\$ 136,399	\$ 3,881	\$ 140,280	\$ 220,820	\$ 12,415	\$ 233,235

	Caney Fork Electric Cooperative		
	Principal	Interest	Total
2012	\$ 24,820	\$ 7,000	\$ 31,820
2013	26,090	5,730	31,820
2014	27,425	4,395	31,820
2015	28,828	2,992	31,820
2016	30,303	1,517	31,820
2017	13,802	182	13,984
TOTAL	\$ 151,268	\$ 21,816	\$ 173,084

See Independent Auditors' Report.

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

SCHEDULE OF INSURANCE IN FORCE

June 30, 2011

The Board had the following insurance coverage in force at June 30, 2011:

<u>Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Property and Crime:		
Personal property	\$ 35,000	August 29, 2011
Employee dishonesty	100,000	
Forgery, theft, computer fraud	100,000	
Spec building	1,500,000	
Equipment breakdown	1,535,000	
Workman's Compensation	Statutory	August 29, 2011
General Liability:		August 29, 2011
Bodily injury	250,000 per incident 600,000 aggregate	
Catastrophic medical	1,000,000	
Accidental medical payments	1,000 per incident 10,000 aggregate	
Fire	85,000	
Impounded property	85,000	
Property damage	85,000	
Errors and omissions	5,000,000	
Automobile Liability:		August 29, 2011
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	
Uninsured motorist:		
Bodily injury	300,000	
Property damage	100,000	
Comprehensive & collision	per schedule	

See Independent Auditors' Report.

Denning & Cantrell

CPA's, PLLC
Members of AICPA & TSCPA
cpas@blomand.net

15 Keel Drive
McMinnville, TN 37110
(931) 815-1100
Fax (931) 815-1099

James L. Denning, Jr. CPA
(931) 668-7407
G. Wayne Cantrell, Jr. CPA
(931) 934-3155

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
McMinnville, Tennessee

We have audited the financial statements of The Industrial Development Board of McMinnville-Warren County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011. 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 opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Development Board of McMinnville-Warren County, Tennessee's 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, 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. However, we identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 11-1 that we consider to be significant deficiency in internal control over financial reporting.

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 are described in the accompanying schedule of findings and responses as item 11-2.

The Industrial Development Board of McMinnville-Warren County, Tennessee response to the findings identified in our audit are 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, Board of Directors, others within the entity, the State Comptroller's office 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
December 30, 2011

THE INDUSTRIAL DEVELOPMENT BOARD OF
MCMINNVILLE-WARREN COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

- 11-1 Finding - Internal Control
- Condition and Criteria - The Board does not have the proper segregation of duties for an effective system of internal control.
- Cause - The Board is a very small entity with limited resources which only one accounting personnel.
- Effect - The lack of an adequate internal control system subjects the Town to the possibility of fraud or miss appropriation of assets being committed.
- Recommendation - The Town should mitigate its exposure by having increased oversight by the Board such as examining bank reconciliations, closely monitoring budgets, etc.
- Management's Response - "We will increase the oversight performed by the Board."

This finding was mentioned in last year's report.

- 11-2 Finding - Expenditures in excess of appropriations.
- Condition and Criteria - Expenditures in the General Fund exceed appropriations which is in violation of State law.
- Cause - Budgets were not monitored closely enough and amended as necessary.
- Effect - The Town is in violation of State law.
- Recommendation - Budgets should be closely monitored and amended as necessary.
- Management's Response - "We concur with the auditors' recommendation."

Finding 11-2 was mentioned in last year's report.