

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

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

Year Ended June 30, 2014

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THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

LIST OF OFFICIALS

June 30, 2014

Sandra Haynes	Chairman
Tommy Foster	Vice chairman
Herschel Wells, Jr.	Treasurer/Secretary
Greg Brock	Director
Jeff Golden	Director
Joe Hamby	Director
Joe Pugh	Director
Mark Brown	Director
Glen Moore	Director
Don Alexander	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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity, the major fund and the statement of budgetary comparison of the General Fund of The Industrial Development Board of McMinnville-Warren County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Industrial Development Board of McMinnville-Warren County financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and the major fund of the Industrial Development Board of McMinnville-Warren County as of June 30, 2014, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America and the statement of budgetary comparison of the General Fund.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Industrial Development Board of McMinnville-Warren County's financial statements. The other supplementary information on pages 25-31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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.

The other supplementary information on pages 25-31 and the schedule of expenditures of federal awards are the responsibility of management and were derived from the relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information on pages 25-31 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of The Industrial Development Board of McMinnville-Warren County'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 and 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* in considering Industrial Development Board of McMinnville-Warren County's internal control over financial reporting and compliance

Denning & Contrall

Certified Public Accountants

McMinnville, Tennessee
December 19, 2014

Management's Discussion and Analysis

This section of the Industrial Development Board of McMinnville-Warren County, Tennessee's financial report presents an analysis of the Board's general financial condition for the year ended June 30, 2014 and should be read in conjunction with the accompanying Financial Statements and Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

Total assets at year-end were \$25,475,114 and exceeded net position by \$14,598,886. Of the total net position, the total of \$10,876,228 was unrestricted and available to support short-term operations. Total assets increased from 2013 to 2014 by \$10,432,037 while there was a decrease in net position of \$134,585. Unrestricted net position increased from 2013 by \$5,924,029.

Current liabilities and long term liabilities increased by \$13,963,649 from 2013 to 2014.

The Board's total operating revenues were \$252,970, a decrease of 46.86% from the previous year. The largest decrease of \$114,456 was in the area of program revenues which consists of operating grants and contributions. Loss on lease contracts was the other primary reason for the decrease which amounted to \$173,049. Payments in lieu of tax payments offset the above decreases with an increase of \$64,628. Reference the Comparative Statements of Revenues and Expenses on page vii of this analysis.

Operating expenses decreased by a total of \$20,651 or 5.06% from fiscal year 2013. These expenses represent the operation of the Board office and expenses associated with owning rental property. For more detail on the breakdown of operating expenses, refer to pages 8 – 9 of the Board's financial report.

Capital contributions decreased from \$20,081 received in the prior year to the Board receiving none during fiscal 2014.

Per the Condensed Comparative Statements of Net Position, net position decreased by \$134,585 or approximately 1%. While assets, increased by a net of \$7,958,665, net capital assets increased \$2,473,372. There was an increase in total liabilities of \$13,963,649. These fluctuations will be discussed in more detail in other sections following in this management, discussion and analysis.

FINANCIAL ANALYSIS

The following condensed comparative financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE- WARREN COUNTY, TENNESSEE

CONDENSED COMPARATIVE STATEMENTS OF NET POSITION

June 30, 2014 and June 30, 2013

	2014	2013	Variance Amount	%
<u>ASSETS</u>				
Current and other assets	\$13,604,416	\$ 5,645,751	\$ 7,958,665	140.97%
Capital assets, net	11,870,698	9,397,326	2,473,372	26.32%
	<u>\$25,475,114</u>	<u>\$15,043,077</u>	<u>\$ 10,432,037</u>	<u>69.35%</u>
<u>LIABILITIES</u>				
Current and long term liabilities	\$14,598,886	\$ 635,237	\$ 13,963,649	2198.18%
<u>NET POSITION</u>				
Investment in capital assets, net of related debt	-	5,506,400	(5,506,400)	-100.00%
Restricted for debt service	-	552,214	(552,214)	-100.00%
Unrestricted	10,876,228	4,952,199	5,924,029	119.62%
	<u>\$10,876,228</u>	<u>\$11,010,813</u>	<u>\$ (134,585)</u>	<u>-1.22%</u>

INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE- WARREN COUNTY, TENNESSEE

COMPARITIVE STATEMENTS OF REVENUES AND EXPENSES

June 30, 2014 and June 30, 2013

	2014	2013	Variance Amount	%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Program revenues	\$ 264,500	\$ 378,956	(114,456)	-30.20%
In lieu of tax payments	125,016	60,388	64,628	100.00%
Interest and Investment Earnings	30,919	32,972	(2,053)	-6.23%
Miscellaneous	109	3,754	(3,645)	-97.10%
Gain on sale of capital asset	5,475	-	5,475	100.00%
Loss on lease contracts	(173,049)	-	(173,049)	-100.00%
	<u> </u>	<u> </u>	<u> </u>	
TOTAL OPERATING REVENUES	252,970	476,070	(223,100)	-46.86%
Operating expenses:				
Industrial development expenses	387,556	408,207	(20,651)	-5.06%
	<u> </u>	<u> </u>	<u> </u>	
OPERATING INCOME/ INCREASE IN NET POSITION	\$ (134,586)	\$ 67,863	(202,449)	-298.32%
Net position at the beginning of the year *	<u>11,010,813</u>	<u>10,942,950</u>		
Net position at the end of the year	<u>\$10,876,227</u>	<u>\$11,010,813</u>		

* Beginning net position was restated by \$24,965 from June 30, 2013 due to unbilled revenue being understated.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The basic financial statements consist of the following 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information.

The **Government-Wide Financial Statements** consist of a statement of net position and a statement of activities and are presented using the accrual basis of accounting. These statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business. *The statement of net position* presents the financial position of the board on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the board is improving or deteriorating. *The statement of activities* presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The **Fund Financial Statements** consist of a series of statements that provide information about the Board's governmental funds and are prepared using the modified accrual basis of accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Board has only one category of funds, governmental.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS (cont.)

fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Industrial Development Board of McMinnville-Warren County maintains an individual governmental fund. Information is presented in separate format in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The financial report also includes budgetary comparison schedules, which compares the original and final budget to actual results for the fiscal year ended June 30, 2014, for the Board's General Fund.

The **Notes to the Financial Statements** provide required disclosures and other information that is important to any user's understanding of the basic financial statements.

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Board completed and secured permanent financing for three industries during 2014. These include Miniature Precision Components, Sansin and DN Plastics.

CAPITAL ASSETS

Capital assets include all of the Board's major capital assets, including land, construction in progress, buildings, transportation equipment, and office equipment.

As of June 30, 2014, the Board had \$11,870,698 (net of depreciation) invested in capital assets, representing an increase of \$2,473,372 from last year.

Construction in progress during fiscal 2014 saw additions of \$6,776,657, and \$242,637 was added to land. The offset of the total increase was due to depreciation expense of \$102,172 for fiscal 2014.

Land and construction in progress account for the majority of capital assets at approximately 79%. Buildings account for approximately 21% of the capital assets. Reference Note D to the Financial Statements for more detail.

LONG-TERM DEBT ADMINISTRATION

At fiscal year-end 2013, the Board had total long-term debt of \$5,756,901, reflecting an increase from 2013 of \$1,865,975. During fiscal year 2014, new proceeds from loans were received in the amount of \$2,382,000 to the board.

LONG-TERM DEBT ADMINISTRATION (cont.)

During the year, the Board paid \$64,403 in interest on long-term debt. They also paid \$516,025 on the principal.

For further information regarding the Board's debt, please refer to Note E in the financial statements.

BUDGETARY ANALYSIS

The Board adopts a budget each year, in accordance with the laws of the State of Tennessee. 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. To be adopted, the budget must pass two readings and can be amended during the year by the Board as deemed necessary.

For more detail regarding the following budgetary analysis, reference the budgetary comparison schedule on page 10 in the Audited Financial Report for the year ended June 30, 2014.

General Fund

For the fiscal year end 2014, the actual ending General Fund balance of \$4,237,606 exceeded the final budgeted General Fund balance of \$2,067,237.

At June 30, 2014 the actual amounts available for appropriation exceeded the final budgeted amounts available for appropriation in the General Fund by \$152,519. The increase in unbudgeted payments in lieu of tax payments received of \$125,016, and unbudgeted proceeds from sale of vehicles of \$5,475 comprise the majority of the increase.

Total actual expenditures exceeded budgeted appropriations in the General Fund by \$6,512,046. The primary increase was development expenditures exceeding budgeted amounts by \$6,420,237 as \$600,000 was budgeted as compared to \$7,020,237 actual expenditures

The budget was not amended during fiscal year 2014.

FINANCIAL CONDITION

The Board experienced slight growth during the fiscal year, resulting in a continued strong financial condition at year-end. As evidence of this rate of growth, total assets increased \$10,432,037 or 69.35% although total net position decreased slightly by \$134,585 or 1.22% over fiscal year 2013.

The Board has completed the initial construction of Spec Building 3 and Phase 2 expansions to Spec Building 2 which permanent financing was secured to Miniature Precision Components. Sansin Industries was secured during 2014 and DN Plastics was near completion at fiscal year end 2014. The board will continue to seek ways to support expansion and development by existing industry while diligently working to attract new industries to the community.

As evidenced by the financial statements, the Board's staff continues to be well managed and is capable of operating the utility effectively and efficiently in the coming year.

CONTACTING THE BOARD

The financial report is designed to provide a general overview of the Industrial Development Board of McMinnville-Warren County, Tennessee's finances for all those with an interest in such matters. Questions arising from any of the information provided or additional requests for information should be directed to:

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 POSITION

June 30, 2014

		<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>		
Unrestricted cash		\$ 304,553
In lieu of tax payments receivable		32,470
Interest receivable		2,568
Loan proceeds receivable		6,370,000
Capital lease receivable		
Amount due within one year	\$ 680,750	
Amount due in more than one year	<u>6,214,075</u>	6,894,825
Capital assets		
Land and construction in progress	9,405,382	
Buildings and equipment - net of depreciation	<u>2,465,316</u>	<u>11,870,698</u>
	TOTAL ASSETS	<u>25,475,114</u>
<u>LIABILITIES</u>		
Accounts payable		2,465,834
Interest payable		6,151
Notes payable		
Amount due within one year	2,621,727	
Amount due in more than one year	<u>9,505,174</u>	<u>12,126,901</u>
	TOTAL LIABILITIES	<u>14,598,886</u>
<u>NET POSITION</u>		
Unrestricted		<u><u>\$ 10,876,228</u></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, 2014

		<u>General Fund</u>
<u>Assets</u>		
Unrestricted cash	\$	304,553
In lieu of tax payment receivable		32,470
Interest receivable		2,568
Loan proceeds receivable		6,370,000
Capital lease receivable		
Amount to be received within one year	\$	680,750
Amount to be received after one year		6,214,075
		<u>6,894,825</u>
Total assets		<u><u>13,604,416</u></u>
<u>Liabilities</u>		
Accounts Payable		2,465,834
Interest payable		6,151
Unearned income on capital lease		6,894,825
		<u>9,366,810</u>
Total Liabilities		<u>9,366,810</u>
<u>Fund balances</u>		
Unassigned		4,237,606
		<u>4,237,606</u>
Total liabilities and fund balances	\$	<u><u>13,604,416</u></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 POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2014

Total Governmental Fund Balances	\$ 4,237,606
Amounts reported for governmental activities in the statement of net position are different due to:	
Capital leases are not available to pay current period expenditures and therefore are deferred in the funds	6,894,825
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,870,698
Notes payable, not reported in the funds	<u>(12,126,901)</u>
Net Position of Governmental Activities	<u>\$ 10,876,228</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, 2014

		<u>General Fund</u>
Support and revenues:		
Rents	\$	44,500
Interest income		30,919
In lieu of tax payments		125,016
Proceeds from sale of vehicle		5,475
Donations		109
		<hr/>
TOTAL SUPPORT AND REVENUES		206,019
 Expenditures:		
Administrative expenses		141,523
Advertising and promotions		4,140
Seminars and workshops		720
Travel and entertainment		9,293
Insurance expense		12,332
Professional fees		12,370
Office expenses		1,492
Office rent		14,850
Telephone		2,123
Printing and photography		2,025
Computer software and maintenance		1,955
Dues and subscriptions		2,178
Development		7,020,237
Interest expense		64,403
Principal paid on notes		516,025
Loan administrative fees		15,760
Other expenses		218
		<hr/>
TOTAL EXPENDITURES		7,821,644
EXCESS OF EXPENDITURES OVER SUPPORT AND REVENUES		(7,615,625)
 Other financing source (uses):		
Payments from primary governments	\$	220,000
Note proceeds		8,752,000
Collections on capital leases		329,272
		<hr/>
INCREASE IN FUND BALANCE		1,685,647
 Fund Balance at July 1, 2013 - restated		<hr/> 2,551,959
 Fund Balance at June 30, 2014		\$ <hr/> <hr/> 4,237,606

Note - Fund Balance at July 1, 2013 was restated due to a capital lease receivable being understated by \$ 24,964.

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 NET POSITION

Year ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 1,685,647
Capital assets reported as an expense in the funds, not reflected in the Statement of Changes in Net Position	7,020,237
Loss on lease contracts reported reported in the Statement of Net Position , and gross proceeds reported in the funds	(173,051)
Depreciation expense not reported in the funds	(102,172)
Proceeds from notes received and to be received reported as other financing source in the funds, not reflected in the Statement of Changes in Net Position	(8,752,000)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces debt in the Statement of Net Position	516,025
Capital lease receipts reported as other financing source in the funds, not reflected in the Statement of Changes in Net Position	<u>(329,272)</u>
Change in Net Position of Governmental Activities	<u>\$ (134,586)</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, 2014

	Budget		Actual
	Original	Final	
Beginning fund balance July 1, 2013	\$ 2,551,959	\$ 2,551,959	\$ 2,551,959
Resources (inflows):			
Rents	43,500	43,500	44,500
Interest income	10,000	10,000	30,919
In lieu of tax payments			125,016
Proceeds from sale of vehicle			5,475
Donations			109
Amounts available for appropriation	2,605,459	2,605,459	2,757,978
Expenditures:			
Administrative expenses	123,770	123,770	141,523
Advertising and promotions	10,000	10,000	4,140
Seminars and workshops	2,000	2,000	720
Travel and entertainment	5,000	5,000	9,293
Insurance expense	13,000	13,000	12,332
Professional fees	6,500	6,500	12,370
Office expenses	18,500	18,500	1,492
Office rent			14,850
Auto expense	6,500	6,500	
Maintenance on industrial park	25,000	25,000	
Telephone	3,000	3,000	2,123
Printing and photography	3,000	3,000	2,025
Computer software and maintenance	1,000	1,000	1,955
Dues and subscriptions	2,900	2,900	2,178
Development	600,000	600,000	7,020,237
Interest expense	55,361	55,361	64,403
Principal paid on notes	434,067	434,067	516,025
Loan administrative fees			15,760
Other expenses			218
Total charges to appropriations	1,309,598	1,309,598	7,821,644
	1,295,861	1,295,861	(5,063,666)
Other financing source (uses):			
Payments from primary governments	300,000	300,000	220,000
Note proceeds			8,752,000
Collections on capital leases	471,376	471,376	329,272
Ending fund balance June 30, 2014	\$ 2,067,237	\$ 2,067,237	\$ 4,237,606

See Independent Auditors' Report and Notes to Financial Statements.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE - WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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. 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 Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities 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.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE - WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 recorded 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 Position 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" measurement 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 position.

Basis of Accounting

In the government-wide Statement of Net Position 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.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE - WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Position, "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.

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 position and displayed in three components:

- (a). Net investment in capital assets--Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b). Restricted net position--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 position--All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 Board of Directors. Committed resources cannot be used for any other purpose unless the Board of Directors 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 Board 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.

The Board applies investment earnings and then restricted resources when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts are used when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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.

Capital Assets

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

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 entirely 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 General Fund is used to retire long term debt.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Use of Estimates

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

Advertising

Advertising costs are charged to expense as incurred.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources(expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources(revenue) until that time.

For the year ended June 30, 2014, the Board has neither a deferred inflow nor outflow of resources.

Implementation of new GASB Statements

During the year ended June 30, 2014, the Board adopted the provisions of GASB Statement No. 65, Items Previously Recognized as Assets and Liabilities. The objective of this statement is to apply financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

NOTE B - CASH AND DEPOSITS

It is the Board's policy for deposits to be 105% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. At year end the Board had demand deposits with a carrying amount of \$ 304,453. The bank balances amounted to \$ 312,846. The Board also had \$100 being held in petty cash. The interest rates on these accounts range from .0% to .3%.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C - CAPITAL ASSETS

A summary of capital asset activity and changes in accumulated depreciation for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Retirements/ Transfers	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,613,731	\$ 242,637	188,519	\$ 2,667,849
Construction in progress	2,660,536	6,776,657	2,699,660	6,737,533
	5,274,267	7,019,294	2,888,179	9,405,382
Capital assets being depreciated:				
Buildings and improvements	5,503,469		1,638,436	3,865,033
Transportation equipment	25,132		25,132	0
Office equipment	33,876	943		34,819
	5,562,477	943	1,663,568	3,899,852
Total capital assets	10,836,744	7,020,237	4,551,747	13,305,234
Less accumulated depreciation:				
Buildings and improvements	1,380,411	102,156	81,922	1,400,645
Transportation equipment	25,132		25,132	0
Office equipment	33,875	16		33,891
Total accumulated depreciation	1,439,418	102,172	107,054	1,434,536
Net capital assets	\$ 9,397,326	\$ 6,918,065	\$ 4,444,693	\$ 11,870,698

NOTE D - NOTES PAYABLE

Regions Bank short term note payable due April 11, 2015 at 3.25% interest unsecured, used to finance construction of buildings \$ 2,000,000

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

Balance at beginning of year	\$ 0
Add loan proceeds received	2,000,000
Balance at end of year	\$ 2,000,000

See Independent Auditors' Report.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE D - 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 M. Monthly payments on this note range from \$3,640 to \$3,837.	\$ 501,675
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 3.2%. 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 M. Monthly payments range from \$3,463 to \$3,905.	466,948
Caney Fork Electric Cooperative, Inc. commencing December 1, 2006, 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%	72,933
Caney Fork Electric Cooperative, Inc. commencing May 1, 2006, 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%	70,000
Caney Fork Electric Cooperative, Inc. commencing October 15, 2007 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%	226,111
Tennessee Valley Authority commencing May 15, 2007 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%	283,853
Cumberland Area Investment Corp commencing May 25, 2006 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%	181,522
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%	183,333
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%	452,216

See Independent Auditors' Report.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE D - NOTES PAYABLE - continued

Caney Fork Electric Cooperative, Inc. commencing November 1, 2013 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%	277,778
Caney Fork Electric Cooperative, Inc. commencing November 1, 2013 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%	678,332
Caney Fork Electric Cooperative, Inc. commencing January 1, 2014 collateralized by a deed of trust and assignment of lease for real estate located in Warren County, payable \$ 1,886 monthly with interest at a rate of 2.0%	194,133
Cumberland Area Investment Corp commencing January 1, 2014 collateralized by a deed of trust for real estate located in Warren County, payable \$ 1,709 monthly with interest at a rate of 3.0%	168,067
TOTAL	\$ 5,756,901

The Board has loan proceeds receivable of \$6,370,000 which are to finance spec buildings. These loans will be amortized when the funds are received.

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

Balance at beginning of year	\$ 3,890,926
Add loan proceeds received	2,382,000
Less payments made during year	(516,025)
Balance at end of year	\$ 5,756,901

The notes mature as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,591,727	\$ 48,594	\$ 2,640,321
2016	599,903	40,981	640,884
2017	529,630	39,168	568,798
2018	361,381	33,316	394,697
2019	365,581	29,116	394,697
2020-2024	1,088,715	80,447	1,169,162
2024-2027	219,964	8,609	228,573
	\$ 5,756,901	\$ 280,231	\$ 6,037,132

Governmental activities debt is retired by the General Fund.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E - 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 \$14,850.

NOTE F - 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, 2007 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. This lease automatically renewed for five years ending June 30, 2017.

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 1, 2012 and will continue for a period of twelve years ending February 1, 2024. Metal Products Company pays \$ 1,000 monthly for the use of the property to the Board during the term of the lease.

The Board collected \$5,000 lease on land at the industrial park. This lease was to Prater Farms for a three year period beginning January 1, 2012 and ending January 1, 2015.

The above operating leases are on buildings. The cost of these buildings was \$3,850,533 and accumulated depreciation was \$1,382,243.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 45,500
2016	40,500
2017	40,500
2018	12,000
2019	12,000
Beyond five years	<u>50,000</u>
Total	<u>\$ 200,500</u>

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G - NET POSITION

Net position represents the difference between assets and liabilities. The net position is as follows:

Unrestricted	\$ <u>10,876,228</u>
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NOTE H - ADVERTISING

Advertising and promotions in the amount of \$ 4,140 was expensed for the year.

NOTE I - CONCENTRATION OF CREDIT RISKS

Receivables are concentrated in Warren County, Tennessee.

NOTE J - RISK OF LOSS

It is the policy of the Board to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers' compensation and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE K - EXPENDITURES IN EXCESS OF APPROPRIATIONS

The General Fund expenditures exceeded appropriatons by \$ 6,512,046.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE L - 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).

NOTE M - CAPITAL LEASE RECEIVABLES

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 \$ 3,369 per month for the first 60 months (including interest at a rate of 1.0%), \$3,639 for the next 60 months (including interest at a rate of 2.0%) and \$ 3,837 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.

The Board has entered into a capital lease agreement for the the sale of a manufacturing facility in McMinnville, Tennessee to Wilson Cutting Systems, Inc. The lease term began on November 5, 1013 and will continue for 15 years. Under the terms of the lease, monthly payments are \$ 2,650 including interest at a rate of .667%. Wilson Cutting Systems, Inc. has the option to purchase the facility for \$ 277,000 at any time with the payments which have been made on the lease applied to the purchase price.

The Board has entered into a capital lease agreement for the the sale of a manufacturing facility in McMinnville, Tennessee to Simpkins Energy Corporation, Inc. The lease term began on August 29, 2013 and will continue for 15 years. Under the terms of the lease, monthly payments are \$ 1,700 including interest at a rate of .0%. After five years the monthly payment decreases to \$1,200 per month. Simpkins Energy Corporation, Inc. has the option to purchase the facility for \$ 295,000 at any time with the payments which have been made on the lease applied to the purchase price.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The Board has entered into a capital lease agreement for the the sale of a manufacturing facility in Morrison, Tennessee to Sansin Manufacturing of Tennessee, Inc. The lease term began on March 1, 2014 and will continue for 20 years. Under the terms of the lease, monthly payments are \$ 15,000 (\$.25/sq ft for 62.500 sq ft) interest at a rate of .0%. After five years the monthly payment increases to \$18,750 per month (\$.30/sq ft). Then after July 1, 2029 the monthly payment decreases to \$ 15,625 (\$.25/sq ft) through the end of the lease. Sansin Manufacturing of Tennessee, Inc. has the option to purchase the property at any time for \$ 4,207,150 with the payments which have been made on the lease applied to the purchase price.

The Board has entered into a capital lease agreement for the sale of a manufacturing facility in Morrison, Tennessee to Minature Precision Components, Inc. The lese term began May 6, 2010 and will continue for 10 years. Under the terms of the lease, monthly payments are \$ 253,000 which may be reduced to \$190,000 if 45 new full time jobs are created in the first year. In the second year the reduction may increase to\$69,500. The lease is per square foot. Years one through five is based at \$2.53 per sq ft. Years six through ten is based at \$2.78 per sq ft. The interest rate is 0%. Minature Precision Components, Inc., has the option to purchase the property at any time for \$3,200,000 plus the interest that would be accrued on a \$1,000,000 loan at 2% plus the interest that would be accrued on a loan of \$500,000 at 3% less any payments made on the lease to date of option exercise.

Future minimum capital lease receivables are as follows:

Fiscal year ending June 30,		
2015	\$	707,674
2016		724,082
2017		726,253
2018		726,253
2019		747,753
Beyond five years		3,555,978
		7,187,993
Less interest		293,168
TOTAL	\$	6,894,825

NOTE N - COMMITMENTS

The Board has committed to building projects which will be financed through loans. The estimated amount to complete these projects is \$ 2,960,833.

OTHER SUPPLEMENTARY INFORMATION

THE INDUSTRIAL DEVELOPMENT BOARD OF McMinnville-Warren County, Tennessee

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2014

Year Ended June 30,	Caney Fork Electric Cooperative Non-Interest Bearing Loans					
	Principal	Principal	Principal	Principal	Principal	Principal
2015	\$ 30,000	\$ 82,224	\$ 82,224	\$ 33,333	\$ 82,224	\$ 33,333
2016	30,000	82,224	82,224	33,333	82,224	33,333
2017	10,000	61,663	82,224	33,333	82,224	33,333
2018			82,224	33,333	82,224	33,333
2019			82,224	33,333	82,224	33,333
2020			41,096	16,668	82,224	33,333
2021					82,224	33,333
2022					82,224	33,333
2023					20,540	11,114
TOTAL	\$ 70,000	\$ 226,111	\$ 452,216	\$ 183,333	\$ 678,332	\$ 277,778

Year Ended June 30,	TN Dept of Economic & Community Development			TN Dept of Economic & Community Development		
	Principal	Interest	Total	Principal	Interest	Total
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	41,847	576	42,423	44,076	1,967	46,043
2027				46,455	739	47,194
TOTAL	\$ 466,948	\$ 86,848	\$ 553,796	\$ 501,675	\$ 93,497	\$ 595,172

THE INDUSTRIAL DEVELOPMENT BOARD OF McMinnville-Warren County, Tennessee

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2014

Year Ended June 30,	Cumberland Area Investment Corporation			Tennessee Valley Authority		
	Principal	Interest	Total	Principal	Interest	Total
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	1,609	88,454
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	\$ 181,522	\$ 34,205	\$ 215,727	\$ 283,853	\$ 16,889	\$ 300,742

	Caney Fork Electric Cooperative		
	Principal	Interest	Total
2015	\$ 28,828	\$ 2,992	\$ 31,820
2016	30,303	1,517	31,820
2017	13,802	182	13,984
TOTAL	\$ 72,933	\$ 4,691	\$ 77,624

	Cumberland Area Investment Corporation			Caney Fork Electric Cooperative		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 15,682	\$ 4,827	\$ 20,509	\$ 18,926	\$ 3,710	\$ 22,636
2016	16,159	4,351	20,510	19,308	3,328	22,636
2017	16,651	3,859	20,510	19,697	2,938	22,635
2018	17,157	3,353	20,510	20,095	2,541	22,636
2019	17,679	2,831	20,510	20,500	2,135	22,635
2020	18,216	2,293	20,509	20,914	1,721	22,635
2021	18,771	1,739	20,510	21,336	1,299	22,635
2022	19,341	1,168	20,509	21,767	868	22,635
2023	19,930	580	20,510	22,206	429	22,635
2024	8,481	64	8,545	9,384	47	9,431
TOTAL	\$ 168,067	\$ 25,065	\$ 193,132	\$ 194,133	\$ 19,016	\$ 213,149

THE INDUSTRIAL DEVELOPMENT BOARD OF McMinnville-Warren County, Tennessee

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2014

	Caney Fork	
	<u>Electric Cooperative (Non-interest bearing)</u>	
	<u>Principal</u>	
2015	\$	30,000
2016		30,000
2017		30,000
2018		30,000
2019		30,000
2020		30,000
2021		30,000
2022		30,000
2023		30,000
2024		30,000
TOTAL	\$	<u>300,000</u>

Note - There are four loans where the proceeds have not been received and are not in the above amounts

- 1) Caney Fork Electric Cooperative will give a \$2,000,000 loan at 0%.
 - 2) Tennessee Valley Authority will give a \$ 1,200,000 loan at variable rate
 - 3) Tennessee Valley Authority will give a \$1,870,000 loan at a variable rate
 - 4) Tennessee Valley Authority will give a \$1,000,000 loan at a variable rate
- The variable rates begin at .54%

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE - WARREN COUNTY, TENNESSEE

SCHEDULE OF INSURANCE IN FORCE

June 30, 2014

The Board had the following insurance coverage in force at June 30, 2014:

<u>Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Property and Crime:		
Personal property	\$ 50,000	August 29, 2014
Employee dishonesty	150,000	
Forgery, theft, computer fraud	150,000	
Spec building	1,643,335	
Equipment breakdown	1,640,335	
Workman's Compensation	Statutory	August 29, 2014
General Liability:		August 29, 2014
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	
Property damage	100,000	
Errors and omissions	5,000,000	
Automobile Liability:		August 29, 2014
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	

THE INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE-WARREN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER ASSISTANCE

Year ended June 30, 2014

Grantor Agency	CFDA Number	Contract Number	Balance on 07/01/13	Receipts	Expenditures	Balance on 06/30/14
<u>FEDERAL AWARDS</u>						
* - Caney Fork Electric Cooperative/ Rural Economic Development/ U.S. Department of Agriculture	10.854	Loan	\$ 0	\$ 0	\$ 2,000,000	\$ (2,000,000)
* - Caney Fork Electric Cooperative/ Rural Economic Development/ U.S. Department of Agriculture	10.854	Loan	0	0	300,000	(300,000)
Total federal programs \$			0	\$ 0	\$ 2,300,000	\$ (2,300,000)
* - These are considered major federal programs.						
<u>OTHER ASSISTANCE</u>						
TVA Loans	N/A	N/A	\$ 0	\$ 0	\$ 4,070,000	\$ (4,070,000)

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
STATE FINANCIAL ASSISTANCE, AND OTHER AWARDS

Year ended June 30, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, state financial assistance, and other awards includes the federal and state grant activity of the Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE - WARREN COUNTY, TENNESSEE

SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS

Year ended June 30, 2014

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2011-1	Segregation of Duties	Corrected

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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activity, the major fund, and the statement of budgetary comparison of the General Fund of Industrial Development Board of McMinnville-Warren County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Industrial Development Board of McMinnville-Warren County's basic financial statements and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Board of McMinnville-Warren County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Board of McMinnville-Warren County's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Board of McMinnville-Warren County's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Board of McMinnville-Warren County'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is reported as item 2014-1 in the schedule of findings and questioned cost.

Industrial Development Board of McMinnville-Warren County's Response to Findings

Industrial Development Board of McMinnville-Warren County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Industrial Development Board of McMinnville-Warren County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denning e Cantrell

Certified Public Accountants

McMinnville, Tennessee
December 19, 2014

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
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G. Wayne Cantrell, Jr. CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Industrial Development Board of McMinnville-Warren County's compliance with the types of compliance requirements described in the OBM *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Industrial Development Board of McMinnville-Warren County's major federal programs for the year ended June 30, 2014. Industrial Development Board of McMinnville-Warren County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Industrial Development Board of McMinnville-Warren County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Industrial Development Board of McMinnville-Warren County's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Opinion on Each Major Federal Program

In our opinion, Industrial Development Board of McMinnville-Warren County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report of Internal Control Over Compliance

Management of Industrial Development Board of McMinnville-Warren County, is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Industrial Development Board of McMinnville-Warren County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 effectiveness of Industrial Development Board of McMinnville-Warren County's internal control over compliance.

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Denning & Cantrell
Certified Public Accountants

McMinnville, Tennessee
December 19, 2014

Industrial Development Board of McMinnville-Warren County

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not
considered to be material weaknesses? yes no

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not
considered to be material weaknesses? yes no

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

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133?

yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program of Cluster

10.854

U.S. Department of Agriculture
Rural Economic Development

Industrial Development Board of McMinnville-Warren County

Year Ended June 30, 2014

Dollar threshold used to distinguish between type A
and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-1 Finding - Compliance

Condition and Criteria - General Fund expenditures exceeded appropriations.

Cause - The Board's budget was not amended to reflect additional expenditures relating to its spec buildings.

Effect - The Board is in violations of State Law.

Recommendation - The budget should be closely monitored and amended as necessary.

Management's Response - "This was an oversight as we had a change in personnel. We will better monitor our budget in the future."

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Schedule of Prior Audit Findings

All prior findings have been corrected.