

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

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

Year Ended June 30, 2015

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

List of Officials.....	Page i
Independent Auditors' Report.....	ii
Management's Discussion and Analysis.....	v
Audited Financial Statements:	
Statement of Net Position.....	4
Statement of Activities and Changes in Net Position.....	5
Balance Sheet - Governmental Fund.....	6
Reconciliation of Total Governmental Fund Balance to Net Position 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.....	25
Schedule of Insurance in Force.....	28
Schedule of Expenditures of State Awards.....	29
Notes to Schedule of Expenditures of State Awards.....	30
Schedule of Disposition of Prior Year Findings.....	31
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.....	32

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

LIST OF OFFICIALS

June 30, 2015

Sandra Haynes	Chairman
Tommy Foster	Vice chairman
Herschel Wells, Jr.	Treasurer/Secretary
Glenn Moore	Director
Jeff Golden	Director
Joe Hamby	Director
Joe Pugh	Director
Mark Brown	Director
Gary Judkins	Director
Mike Millard	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, 2015, 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, 2015, 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 other supplementary information on pages 25-31 is the responsibility of management and was 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 is 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 October 15, 2015, 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



Certified Public Accountants

McMinnville, Tennessee
October 15, 2015

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, 2015 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 \$18,952,658 and exceeded net position by \$8,714,874. Of the total net position, the total of \$7,574,593 was unrestricted and available to support short-term operations. Total assets decreased from 2014 to 2015 by \$6,522,456 while there was a decrease in net position of \$640,574. Unrestricted net position decreased from 2014 by \$538,229.

Current and long term liabilities decreased by \$5,881,882 from 2014 to 2015.

The Board's total operating revenues were a negative \$213,170, a decrease of \$466,140 from the previous year. The largest decrease of \$1,056,443 was a result of losses on lease contracts. These losses are and will be offset by grant proceeds received and future interest earnings on leases. When these two items are considered these leases will generate a cash flow of \$117,495. Program revenues of \$655,858, which increased from 2013 by \$391,358, offset the loss on lease contracts. Interest and investment earnings also offset the deficit with an increase of \$63,604. Reference the Comparative Statements of Revenues and Expenses on page vii of this analysis.

Operating expenses increased by a total of \$39,907 or 10.3% from fiscal year 2014. 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.

Per the Condensed Comparative Statements of Net Position, net position decreased by \$640,633 or approximately 6.0%. While total assets, decreased by a net of \$6,522,456, net current and other assets were the primary reason with a decrease of \$6,420,111. There was a decrease in total liabilities of \$5,881,882. 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, 2015 and June 30, 2014

	2015	2014	Variance Amount	%
<u>ASSETS</u>				
Current and other assets	\$16,291,657	\$22,711,768	\$ (6,420,111)	-28.27%
Capital assets, net	2,661,001	2,763,346	(102,345)	-3.70%
	<u>\$18,952,658</u>	<u>\$25,475,114</u>	<u>\$ (6,522,456)</u>	-25.60%
<u>LIABILITIES</u>				
Current liabilities	\$ 2,190	\$ 5,884,072	(5,881,882)	-99.96%
Long term notes payable	8,714,814	-	8,714,814	100.00%
	<u>\$ 8,717,004</u>	<u>\$ 5,884,072</u>	<u>\$ 2,832,932</u>	48.15%
<u>NET POSITION</u>				
Investment in capital assets, net of related debt	2,661,001	2,763,346	(102,345)	100.00%
Unrestricted	7,574,653	8,112,882	(538,229)	-6.63%
	<u>\$10,235,654</u>	<u>\$10,876,228</u>	<u>\$ (640,574)</u>	-5.89%

Land held for resale was reclassified in 2014 from capital assets.

INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE- WARREN COUNTY, TENNESSEE

COMPARITIVE STATEMENTS OF REVENUES AND EXPENSES

June 30, 2015 and June 30, 2014

	2015	2014	Variance Amount	%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Program revenues	\$ 655,858	\$ 264,500	391,358	147.96%
In lieu of tax payments	85,770	125,016	(39,246)	100.00%
Interest and Investment Earnings	94,523	30,919	63,604	205.71%
Miscellaneous	7,122	109	7,013	6433.94%
Gain on sale of capital asset	-	5,475	(5,475)	100.00%
Loss on lease contracts	(1,056,443)	(173,049)	(883,394)	510.49%
	<u> </u>	<u> </u>	<u> </u>	
TOTAL OPERATING REVENUES	(213,170)	252,970	(466,140)	-184.27%
Operating expenses:				
Industrial development expenses	427,463	387,556	39,907	10.30%
	<u> </u>	<u> </u>	<u> </u>	
OPERATING LOSS/ DECREASE IN NET POSITION	\$ (640,633)	\$ (134,586)	(506,047)	376.00%
Net position at the beginning of the year	<u>10,876,227</u>	<u>11,010,813</u>		
Net position at the end of the year	<u>\$10,235,594</u>	<u>\$10,876,227</u>		

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, 2015, 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 had several projects in process during 2015.

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, 2015, the Board had \$2,661,001 (net of depreciation) invested in capital assets, representing a decrease of \$9,209,697 from last year.

Construction in progress during fiscal 2015 saw additions of \$1,778,852, and retirements of \$8,516,385 to land and construction in progress, respectively. Depreciation expense was \$102,346 for fiscal 2015.

Buildings account for the majority of capital assets at approximately 92%. Reference Note C to the Financial Statements for more detail.

LONG-TERM DEBT ADMINISTRATION

At fiscal year-end 2015, the Board had total long-term debt of \$8,714,874, reflecting a decrease from 2014 of \$2,957,973. During fiscal year 2015, new proceeds from loans were received in the amount of \$4,370,000 to the board, and payments of \$1,412,027 were made.

LONG-TERM DEBT ADMINISTRATION (cont.)

During the year, the Board paid \$80,498 in interest on long-term debt. They also paid \$1,412,027 on the principal.

For further information regarding the Board's debt, please refer to Note D 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, 2015.

General Fund

For the fiscal year end 2015, the actual ending General Fund balance of \$2,370,989 fell short of the final budgeted General Fund balance of \$6,124,713.

At June 30, 2015 the actual amounts available for appropriation exceeded the final budgeted amounts available for appropriation in the General Fund by \$18,139. The increase in unbudgeted rents of \$46,500, unbudgeted miscellaneous income of \$7,122, and a shortfall of payments in lieu of taxes comprise the majority of the increase.

Total actual expenditures were below budgeted appropriations in the General Fund by \$2,679,797. The primary shortfall was development expenditures falling below budgeted amounts by \$2,678,148 as \$4,457,000 was budgeted as compared to \$1,778,852 actual expenditures

The budget was amended during fiscal year 2015.

FINANCIAL CONDITION

Although the Board experienced a slight percentage decrease in net position during the fiscal year, they maintain a strong financial condition at year-end. The slight decrease was seen in total net position, which only saw a 5.89% decrease, or \$640,633 from fiscal 2014. Total net position at the end of fiscal 2015 held strong at \$10,235,594.

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, 2015

		<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>		
Unrestricted cash		\$ 474,964
In lieu of tax payments receivable		1,902
Interest receivable		12,203
Capital lease receivable		
Amount due within one year	\$ 1,072,553	
Amount due in more than one year	<u>12,845,925</u>	13,918,478
Land held for resale		1,884,110
Capital assets		
Land and construction in progress	199,700	
Buildings and equipment - net of depreciation	<u>2,461,301</u>	<u>2,661,001</u>
	TOTAL ASSETS	<u>18,952,658</u>
 <u>LIABILITIES</u>		
Interest payable		2,190
Notes payable		
Amount due within one year	952,797	
Amount due in more than one year	<u>7,762,077</u>	<u>8,714,874</u>
	TOTAL LIABILITIES	<u>8,717,064</u>
 <u>NET POSITION</u>		
Net investment in capital assets	2,661,001	
Unrestricted	<u>7,574,593</u>	
	TOTAL NET POSITION	\$ <u><u>10,235,594</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, 2015

		General Fund
<u>Assets</u>		
Unrestricted cash	\$	474,964
In lieu of tax payment receivable		1,902
Interest receivable		12,203
Capital lease receivable		
Amount to be received within one year	\$ 1,072,553	
Amount to be received after one year	12,845,925	13,918,478
Land held for resale		1,884,110
	Total assets	16,291,657
<u>Liabilities</u>		
Interest payable		2,190
Unearned income on capital lease		655,148
	Total Liabilities	657,338
<u>Deferred Inflows of Resources</u>		
Unearned income on capital lease		13,263,330
<u>Fund balances</u>		
Nonspendable	1,884,110	
Unassigned	486,879	2,370,989
Total liabilities, deferred inflows of resources, and fund balances	\$	16,291,657

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, 2015

Total Governmental Fund Balances	\$ 2,370,989
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	13,918,478
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,661,001
Notes payable, not reported in the funds	<u>(8,714,874)</u>
Net Position of Governmental Activities	<u>\$ 10,235,594</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, 2015

		<u>General Fund</u>
Support and revenues:		
Rents	\$	46,500
Interest income		94,522
In lieu of tax payments		85,770
Payments from primary governments		290,000
Miscellaneous		<u>7,122</u>
TOTAL SUPPORT AND REVENUES		523,914
 Expenditures:		
Administrative expenses		117,981
Advertising and promotions		1,622
Seminars and workshops		2,968
Travel and entertainment		7,729
Insurance expense		9,518
Professional fees		20,575
Office expenses		1,397
Office rent		16,200
Telephone		3,369
Printing and photography		3,217
Computer software and maintenance		421
Dues and subscriptions		1,983
Development		1,778,852
Interest expense		80,498
Principal paid on notes		3,412,027
Loan administrative fees		57,418
Other expenses		<u>220</u>
TOTAL EXPENDITURES		<u>5,515,995</u>
EXCESS OF EXPENDITURES OVER SUPPORT AND REVENUES		(4,992,081)
 Other financing source (uses):		
Grant for railroad spur	\$	319,358
Collections on capital leases		<u>921,996</u>
		<u>1,241,354</u>
DECREASE IN FUND BALANCE		(3,750,727)
 Fund Balance at July 1, 2014		<u>6,121,716</u>
 Fund Balance at June 30, 2015		\$ <u><u>2,370,989</u></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 NET POSITION

Year ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ (3,750,727)
Capital assets reported as an expense in the funds, not reflected in the Statement of Changes in Net Position	1,778,852
Loss on lease contracts reported reported in the Statement of Net Position , and gross proceeds reported in the funds	(1,056,443)
Depreciation expense not reported in the funds	(102,346)
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	
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces debt in the Statement of Net Position	3,412,027
Capital lease receipts reported as other financing source in the funds, not reflected in the Statement of Changes in Net Position	<u>(921,996)</u>
Change in Net Position of Governmental Activities	<u>\$ (640,633)</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, 2015

	Budget		Actual
	Original	Final	
Beginning fund balance July 1, 2014	\$ 6,121,716	\$ 6,121,716	\$ 6,121,716
Resources (inflows):			
Rents			46,500
Interest income	10,000	90,000	94,522
In lieu of tax payments	123,496	125,775	85,770
Payments from primary governments	400,000	290,000	290,000
Miscellaneous			7,122
	<u>6,655,212</u>	<u>6,627,491</u>	<u>6,645,630</u>
Amounts available for appropriation	6,655,212	6,627,491	6,645,630
Expenditures:			
Administrative expenses	167,000	130,500	117,981
Advertising and promotions	10,000	3,200	1,622
Seminars and workshops	2,000	3,000	2,968
Travel and entertainment	7,000	8,500	7,729
Insurance expense	14,000	11,000	9,518
Professional fees	50,000	42,000	20,575
Office expenses	2,300	2,300	1,397
Office rent	16,200	16,200	16,200
Donations	300	300	
Maintenance on industrial park	5,000	5,000	
Telephone	2,500	3,500	3,369
Printing and photography	4,500	4,500	3,217
Computer software and maintenance	1,500	1,500	421
Dues and subscriptions	2,900	2,500	1,983
Development	200,000	4,457,000	1,778,852
Interest expense	216,407	150,000	80,498
Principal paid on notes	816,548	3,350,000	3,412,027
Loan administrative fees			57,418
Other expenses			220
	<u>1,518,155</u>	<u>8,191,000</u>	<u>5,515,995</u>
Total charges to appropriations	1,518,155	8,191,000	5,515,995
	5,137,057	(1,563,509)	1,129,635
Other financing source (uses):			
Note proceeds		6,370,000	
Grant proceeds on railroad spur		321,000	319,358
Collections on capital leases	997,222	997,222	921,996
	<u>997,222</u>	<u>997,222</u>	<u>921,996</u>
Ending fund balance June 30, 2015	\$ <u>6,134,279</u>	\$ <u>6,124,713</u>	\$ <u>2,370,989</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, 2015

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, 2015

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, 2015

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 permit employees to accumulate up to 30 days of earned but unused vacation leave if they have been employed for five years or less. For employees with over five years of service, they may accumulate up to 36 days. Employees with five years or less accrue one day per month, and those over five years accrue one and one half days per month. The liability for compensated absences was immaterial and unaccrued at year end. 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, 2015

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, 2015

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, 2015

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.

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 \$ 474,934. The bank balances amounted to \$ 535,376. The Board also had \$30 being held in petty cash. The interest rates on these accounts range from .0% to .3%. All of the Board's deposits were covered by FDIC insurance.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C - CAPITAL ASSETS

A summary of capital asset activity and changes in accumulated depreciation for the year ended June 30, 2015 are as follows:

	Balance July 1, 2014	Additions	Retirements/ Transfers	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 199,700			\$ 199,700
Construction in progress	6,737,533	\$ 1,778,852	\$ 8,516,385	0
	6,937,233	1,778,852	8,516,385	199,700
Capital assets being depreciated:				
Buildings and improvements	3,963,364			3,963,364
Office equipment	34,819			34,819
	3,998,183	0	0	3,998,183
Total capital assets	10,935,416	1,778,852	8,516,385	4,197,883
Less accumulated depreciation:				
Buildings and improvements	1,400,645	102,157		1,502,802
Office equipment	33,891	189		34,080
Total accumulated depreciation	1,434,536	102,346	0	1,536,882
Net capital assets	\$ 9,500,880	\$ 1,676,506	\$ 8,516,385	\$ 2,661,001

NOTE D - NOTES PAYABLE

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

Balance at beginning of year	\$ 2,000,000
Less payments made	(2,000,000)
Balance at end of year	\$ 0

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.	\$ 494,007
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.	429,942
Caney Fork Electric Cooperative, Inc. commencing July 1, 2014, 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%	267,500
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%	37,500
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%	137,037
Tennessee Valley Authority commencing November 1, 2014 collateralized by a deed of trust for real estate located in Warren County, payable \$ 6,667 monthly with interest at a rate of .55% which is adjusted quarterly to TVA's cost of funds	1,150,833
Caney Fork Electric Cooperative, Inc. commencing July 1, 2014 collateralized by a deed of trust and assignment of lease for real estate located in Warren County, payable \$ 16,667 monthly with interest at a rate of 0.0%	1,796,663
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%	147,221
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%	363,140

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D - NOTES PAYABLE - continued

Tennessee Valley Authority commencing October 1, 2014 collateralized by a deed of trust for real estate located in Warren County, payable \$ 7,792 monthly with interest at a rate of .55% which is adjusted quarterly to TVA's cost of funds	1,805,167
Tennessee Valley Authority commencing October 1, 2014 collateralized by a deed of trust for real estate located in Warren County, payable \$ 8,403 monthly with interest at a rate of .55% which is adjusted quarterly to TVA's cost of funds	930,273
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%	241,667
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%	589,256
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%	173,611
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%	151,057
TOTAL	\$ 8,714,874

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

Balance at beginning of year	\$ 5,756,901
Add loan proceeds received	4,370,000
Less payments made during year	(1,412,027)
Balance at end of year	\$ 8,714,874

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D - NOTES PAYABLE - continued

The notes mature as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 952,797	\$ 47,864	\$ 1,000,661
2017	902,341	50,898	953,239
2018	843,096	46,322	889,418
2019	846,256	41,653	887,909
2020	782,087	36,888	818,975
2021-2025	3,010,961	110,878	3,121,839
2026-2030	974,669	25,779	1,000,448
2031-2035	402,667	5,931	408,598
	<u>\$ 8,714,874</u>	<u>\$ 366,213</u>	<u>\$ 9,081,087</u>

Governmental activities debt is retired by the General Fund.

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 \$16,200.

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 \$1,480,974.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - OTHER LEASES - continued

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 45,500
2017	40,500
2018	12,000
2018	12,000
2019	12,000
Beyond five years	<u>38,000</u>
Total	<u>\$ 160,000</u>

NOTE G - NET POSITION

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

Net investment in capital assets	\$ 2,661,001
Unrestricted	<u>7,574,593</u>
Total	<u>\$ 10,235,594</u>

NOTE H - ADVERTISING

Advertising and promotions in the amount of \$ 1,622 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 - RESTATED BEGINNING NET POSITION

The beginning net position was restated by \$2,661,001 and land held for resale was reclassified from land not held for resale but held as a capital asset.

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE-WARREN COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2013 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, 2015

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 \$ 17,375 with interest at a rate of .75%. 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 lease term began May 6, 2010 and will continue for 10 years. Under the terms of the lease, quarterly payments are \$ 63,250. 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. There is an additional payment of \$ 16,224 quarterly to cover construction overage on the original lease agreement. This payment is for 20 quarters and bears interest at 1%.

The Board has entered into a capital lease agreement for the the sale of a manufacturing facility in Morrison, Tennessee to DN Plastics Tennessee Corporation. The lease term began on December 1, 2014 and will continue for 15 years. Under the terms of the lease, monthly payments are \$ 23,630 with interest at a rate of 1.75%. DN Plastics Tennessee Corporation has the option to purchase the property at any time for the principal balance of the note less payments in lieu of taxes which have been made.

Future minimum capital lease receivables are as follows:

Fiscal year ending June 30,	
2016	\$ 1,215,940
2017	1,216,137
2018	1,218,308
2019	1,239,808
2020	1,204,886
Beyond five years	8,886,281
	<u>14,981,360</u>
Less interest	1,062,882
TOTAL	<u>\$ 13,918,478</u>

OTHER SUPPLEMENTARY INFORMATION

THE INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE-WARREN COUNTY, TENNESSEE

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2015

Year Ended June 30,	Caney Fork Electric Cooperative Non-Interest Bearing Loans					
	Principal	Principal	Principal	Principal	Principal	Principal
2016	\$ 30,000	\$ 82,224	\$ 82,224	\$ 33,333	\$ 82,224	\$ 33,333
2017	7,500	54,813	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			34,244	13,889	82,224	33,333
2021					82,224	33,333
2022					82,224	33,333
2023					13,688	8,336
TOTAL	\$ 37,500	\$ 137,037	\$ 363,140	\$ 147,221	\$ 589,256	\$ 241,667

Year Ended June 30,	TN Dept of Economic & Community Development			TN Dept of Economic & Community Development		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 35,072	\$ 9,953	\$ 45,025	\$ 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	39,423	576	39,999	44,076	1,967	46,043
2027				45,306	737	46,043
2028				27,531	325	27,856
TOTAL	\$ 429,942	\$ 76,773	\$ 506,715	\$ 494,007	\$ 84,195	\$ 578,202

THE INDUSTRIAL DEVELOPMENT BOARD OF McMINNVILLE-WARREN COUNTY, TENNESSEE

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2015

Year Ended June 30,	Tennessee Valley Authority			Tennessee Valley Authority		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 80,000	\$ 5,890	\$ 85,890	\$ 100,840	\$ 5,117	\$ 105,957
2017	80,000	5,450	85,450	100,840	4,562	105,402
2018	80,000	5,010	85,010	100,840	4,007	104,847
2019	80,000	4,570	84,570	100,840	3,453	104,293
2020	80,000	4,130	84,130	100,840	2,898	103,738
2021	80,000	3,690	83,690	100,840	2,343	103,183
2022	80,000	3,250	83,250	100,840	1,789	102,629
2023	80,000	2,810	82,810	100,840	1,234	102,074
2024	80,000	2,369	82,369	100,840	679	101,519
2025	80,000	1,929	81,929	22,713	125	22,838
2026	80,000	1,489	81,489			
2027	80,000	1,049	81,049			
2028	80,000	609	80,609			
2029	80,000	169	80,169			
2030	30,833	71	30,904			
TOTAL	\$ 1,150,833	\$ 42,485	\$ 1,193,318	\$ 930,273	\$ 26,207	\$ 956,480

	Cumberland Area Investment Corporation			Caney Fork Electric Cooperative		
	Principal	Interest	Total	Principal	Interest	Total
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	7,153	213	7,366	7,788	47	7,835
TOTAL	\$ 151,057	\$ 20,387	\$ 171,444	\$ 173,611	\$ 15,306	\$ 188,917

THE INDUSTRIAL DEVELOPMENT BOARD OF McMinnville-Warren County, Tennessee

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2015

	Caney Fork Electric Cooperative (Non-interest bearing)		Tennessee Valley Authority		
	Principal	Principal	Principal	Interest	Total
2016	\$ 30,000	\$ 200,004	\$ 93,500	\$ 9,928	\$ 103,428
2017	30,000	200,004	93,500	9,414	102,914
2018	30,000	200,004	93,500	8,900	102,400
2019	30,000	200,004	93,500	8,386	101,886
2020	30,000	200,004	93,500	7,871	101,371
2021	30,000	200,004	93,500	7,357	100,857
2022	30,000	200,004	93,500	6,843	100,343
2023	30,000	200,004	93,500	6,329	99,829
2024	27,500	196,631	93,500	5,814	99,314
2025			93,500	5,300	98,800
2026			93,500	4,786	98,286
2027			93,500	4,272	97,772
2028			93,500	3,757	97,257
2029			93,500	3,243	96,743
2030			93,500	2,729	96,229
2031			93,500	2,215	95,715
2032			93,500	1,700	95,200
2033			93,500	1,186	94,686
2034			93,500	672	94,172
2035			28,667	158	28,825
TOTAL	\$ <u>267,500</u>	\$ <u>1,796,663</u>	\$ <u>1,805,167</u>	\$ <u>100,860</u>	\$ <u>1,906,027</u>

THE INDUSTRIAL DEVELOPMENT BOARD OF
McMINNVILLE - WARREN COUNTY, TENNESSEE

SCHEDULE OF INSURANCE IN FORCE

June 30, 2015

The Board had the following insurance coverage in force at June 30, 2015:

<u>Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Property and Crime:		
Personal property	\$ 35,000	August 29, 2015
Employee dishonesty	150,000	
Forgery, theft, computer fraud	150,000	
Spec building	1,643,335	
Equipment breakdown	1,640,335	
Workman's Compensation	Statutory	
General Liability:		August 29, 2015
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, 2015
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 STATE AWARDS

Year ended June 30, 2015

Grantor Agency	CFDA Number	Contract Number	Balance on 07/01/14	Receipts	Expenditures	Balance on 06/30/15
<u>STATE AWARDS</u>						
Tennessee Department of Economic and Community Development/ FastTrack Infrastructure Development Program	NA	8126	\$ 0	\$ 319,358	\$ 319,358	\$ 0

The above program is not considered a major federal program.

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, 2015

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, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2014-001	Expenditures in excess of Appropriations	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, 2015, 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 October 15, 2015.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Denning & Cantrell

Certified Public Accountants

McMinnville, Tennessee
October 15, 2015