

**INDUSTRIAL BOARD OF
COFFEE COUNTY, TENNESSEE, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2015

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
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INTRODUCTORY SECTION

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF BOARD OFFICIALS
JUNE 30, 2015**

Board Members:

Karl Boehm
Buster Bush
William Comer
Bill Johnson
Dr. Richard Kulp
Marvin McKee
Elmer Morris
Mary Niederhauser
Dr. Jesse Overall
Roland Segroves
Mike Thornburg
David Young

FINANCIAL SECTION

Independent Auditors' Report

Board of Directors
Industrial Board of Coffee County, Tennessee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Industrial Board of Coffee County, Tennessee, Inc., a component unit of Coffee County, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Industrial Board of Coffee County, Tennessee, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Industrial Board of Coffee County, Tennessee, Inc. as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Industrial Board of Coffee County, Tennessee, Inc. adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-1 and A-4 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 Board of Coffee County, Tennessee, Inc.'s basic financial statements. The introductory section, schedule of expenditure of state financial assistance, schedule of debt service requirements, and schedule of public officials and bonds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of state financial assistance and schedule of debt service requirements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and schedule of public officials and bonds have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the Industrial Board of Coffee County, Tennessee, Inc.'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 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 the Industrial Board of Coffee County, Tennessee, Inc.'s internal control over financial reporting and compliance.

Houssholder Atman PLLC

Tullahoma, Tennessee
December 29, 2015

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The Industrial Board of Coffee County, Tennessee, Inc. (the Board) is a component unit of Coffee County, Tennessee (the primary government). The primary government appoints members of the board of directors, and is funded primarily by appropriations from the county. The purpose of the Board is to promote industry and develop trade for Coffee County, Tennessee.

FINANCIAL HIGHLIGHTS

1. The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$3,896,887 (net position). Of this amount, \$957,669 is considered unrestricted funds and may be used to meet the government's ongoing obligations to citizens and creditors.
2. The Board's total net position increased by \$1,425,692.
3. As of the close of the current fiscal year, the Board's governmental funds reported ending fund balances of \$964,445 representing a decrease of \$538,573 from the previous year. \$964,445 or 100%, of this total amount is available for spending at the government's discretion (unassigned fund balances).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Industrial Board of Coffee County's basic financial statements. The Board's basic financial statements comprise of the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – These financial statements are designed to provide readers with a broad overview of the Industrial Board of Coffee County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflow of resources, with the reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 fiscal periods.

The government-wide statement of activities reports both the gross and the net cost of the Board's programs. The functions are also supported by general governmental revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function.

Fund Financial Statements – 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. All of the funds of the Board are governmental funds.

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the Board-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 useful in evaluating a Board'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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of the Board's financial position. The Industrial Board of Coffee County, Tennessee, Inc.'s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,896,887 at June 30, 2015.

INDUSTRIAL BOARD OF COFFEE COUNTY'S NET POSITION

	Governmental		Total	
	2015	2014	2015	2014
ASSETS				
Current and other assets	\$ 1,017,711	\$ 1,503,017	\$ 1,017,711	\$ 1,503,017
Capital assets	2,939,218	1,827,004	2,939,218	1,827,004
Total assets	3,956,929	3,330,021	3,956,929	3,330,021
DEFERRED OUTFLOWS OF RESOURCES	10,309	-	10,309	-
LIABILITIES				
Long-term liabilities	14,746	14,874	14,746	14,874
Other liabilities	21,247	843,952	21,247	843,952
Total liabilities	35,993	858,826	35,993	858,826
DEFERRED INFLOW OF RESOURCES	34,358	-	34,358	-
NET POSITION				
Net investment in capital assets	2,939,218	983,052	2,939,218	983,052
Unrestricted	957,669	1,488,143	957,669	1,488,143
Total net position	<u>\$ 3,896,887</u>	<u>\$ 2,471,195</u>	<u>\$ 3,896,887</u>	<u>\$ 2,471,195</u>

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Government-wide Financial Analysis (continued)

Investment in capital assets (for example – land improvements, vehicles, equipment, and construction in progress) makes up 75% of the Board's net position; less any related debt used to acquire those assets that are still outstanding. The Board uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of financial activities for the Board during the fiscal year ended June 30, 2015 and 2014:

INDUSTRIAL BOARD OF COFFEE COUNTY'S CHANGE IN NET POSITION

	Governmental Activities		Total	
	2015	2014	2015	2014
General revenues:				
Contributions from county	\$ 239,172	\$ 405,318	\$ 239,172	\$ 405,318
Capital grants and contributions	1,452,070	584,612	1,452,070	584,612
Sign lease	1,750	1,750	1,750	1,750
Investing earnings	9,873	14,144	9,873	14,144
Loss on disposal of capital assets	(130)	56,541	(130)	56,541
Land sale	-	286,364	-	286,364
Pension income	2,043	-	2,043	-
Miscellaneous income	2,500	1,600	2,500	1,600
Total general revenues	<u>1,707,278</u>	<u>1,350,329</u>	<u>1,707,278</u>	<u>1,350,329</u>
Expenses:				
Administration	<u>281,586</u>	<u>267,379</u>	<u>281,586</u>	<u>267,379</u>
Total expenses	<u>281,586</u>	<u>267,379</u>	<u>281,586</u>	<u>267,379</u>
Change in net position	1,425,692	1,082,950	1,425,692	1,082,950
Net position, beginning of year, restated	2,471,195	1,388,245	2,471,195	1,388,245
Net position, end of year	<u>\$ 3,896,887</u>	<u>\$ 2,471,195</u>	<u>\$ 3,896,887</u>	<u>\$ 2,471,195</u>

Governmental activities increased the Board's net position by \$1,425,692.

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental activities as of June 30, 2015 amounted to \$2,939,218. This investment includes land improvements, vehicles, equipment, and construction in progress.

INDUSTRIAL BOARD OF COFFEE COUNTY'S CAPITAL ASSETS

	Governmental Activities		Total	
	2015	2014	2015	2014
Equipment	\$ 15,690	\$ 24,571	\$ 15,690	\$ 24,571
Land improvements	2,818,513	1,694,573	2,818,513	1,694,573
Vehicles	199,705	199,705	199,705	199,705
Accumulated depreciation	(94,690)	(91,845)	(94,690)	(91,845)
Total capital assets	<u>\$ 2,939,218</u>	<u>\$ 1,827,004</u>	<u>\$ 2,939,218</u>	<u>\$ 1,827,004</u>

Long-term Debt – At the end of the fiscal year, the Board's total debt was \$14,746.

INDUSTRIAL BOARD OF COFFEE COUNTY'S LONG TERM LIABILITIES

	Governmental Activities		Total	
	2015	2014	2015	2014
Due within one year	\$ -	\$ 843,952	\$ -	\$ 843,952
Due in more than one year	14,746	14,874 *	14,746	14,874 *
	<u>\$ 14,746</u>	<u>\$ 858,826</u>	<u>\$ 14,746</u>	<u>\$ 858,826</u>

* As restated.

Economic Factors for Next Year

The Industrial Board of Coffee County has plans for the coming year to construct a spec building with funding from current reserves, TVA grant and construction loans.

Requests for Information

This financial report is designed to provide a general overview of the Industrial Board of Coffee County's finances for all those with an interest in such. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Industrial Board of Coffee County, 1329 McArthur Street, Suite 4, Manchester, TN 37355.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 905,306	\$ 905,306
Interest receivable	1,257	1,257
Note receivable	79,129	79,129
	985,692	985,692
Non-current assets:		
Capital assets, net of depreciation	2,939,218	2,939,218
Net pension asset	32,019	32,019
	2,971,237	2,971,237
Total assets	3,956,929	3,956,929
 DEFERRED OUTFLOWS OF RESOURCES	10,309	10,309
 LIABILITIES		
Current liabilities:		
Accounts payable	21,247	21,247
Long-term liabilities:		
Compensated absences	14,746	14,746
Total liabilities	35,993	35,993
 DEFERRED INFLOWS OF RESOURCES	34,358	34,358
 NET POSITION		
Net investment in capital assets	2,939,218	2,939,218
Unrestricted	957,669	957,669
Total net position	3,896,887	3,896,887

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue & Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary Governmental Governmental Activities
Governmental activities:					
Administration	\$ 281,586	\$ -	\$ 239,172	\$ 1,452,070	\$ 1,409,656
Total governmental activities	\$ 281,586	\$ -	\$ 239,172	\$ 1,452,070	\$ 1,409,656
General revenues:					
Unrestricted investment earnings				9,873	
Gain on sale of capital assets				(130)	
Sign lease				1,750	
Pension Income				2,043	
Other				2,500	
Total general revenues and transfers				16,036	
Change in net position					1,425,692
Net position, beginning, restated					2,471,195
Net position, ending					\$ 3,896,887

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 905,306	\$ 905,306
Interest receivable	1,257	1,257
Note receivable	79,129	79,129
Total assets	\$ 985,692	\$ 985,692
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Retainage payable	\$ 21,247	\$ 21,247
Fund balance:		
Unassigned	964,445	964,445
Total liabilities and fund balance	\$ 985,692	\$ 985,692

The accompanying notes are an integral part of this financial statement.

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Total fund balance per fund financial statements	\$	964,445
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in governmental funds.		2,939,218
Net pension assets are not current financial resources; therefore, they are not reported in the governmental funds		32,019
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expenses in future years:		
Deferred outflows of resources related to pensions		10,309
Deferred inflows related to pensions		(34,358)
Long-term liabilities that are not due and payable in the current period; therefore, they are not reported in governmental funds:		
Compensated absences		(14,746)
Net position of governmental activities	\$	3,896,887

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Total Governmental Funds
REVENUES		
Contributions from county	\$ 239,172	\$ 239,172
Investment earnings	9,873	9,873
Grants	1,452,070	1,452,070
Miscellaneous income	4,250	4,250
Total revenues	1,705,365	1,705,365
EXPENDITURES		
Salaries	144,137	144,137
Payroll taxes	10,009	10,009
Employee benefits	27,327	27,327
Executive director expense	1,856	1,856
Board members expense	4,862	4,862
Office operation	12,613	12,613
Memberships and subscriptions	2,833	2,833
Auto expense	4,432	4,432
Prospect development	6,853	6,853
Promotion	679	679
Existing industries	3,782	3,782
Engineering services	34,564	34,564
Industrial park maintenance	611	611
Industrial park improvements	375	375
Fees	72	72
Interest expense	20,041	20,041
Capital outlay	1,124,940	1,124,940
Total expenditures	1,399,986	1,399,986
Excess of revenues over expenditures	305,379	305,379
OTHER FINANCING SOURCES (USES)		
Principal payments on debt	(843,952)	(843,952)
Total other financing sources (uses)	(843,952)	(843,952)
Net change in fund balance	(538,573)	(538,573)
Fund balance, beginning	1,503,018	1,503,018
Fund balance, ending	\$ 964,445	\$ 964,445

The accompanying notes are an integral part of this financial statement.

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balance - governmental funds \$ (538,573)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Acquisition of capital assets	1,123,940
Depreciation expense	(11,596)

The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs in the change in fund balances by the the net book value of the capital assets sold. (129)

Note proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities.

Repayment of principal on notes payable is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.

Proceeds from issuance of notes	-
Principal payments on debt	843,952

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore they are not reported as expenditures in the governmental funds.

Change in compensated absences	(4,253)
Change in net pension liability/asset	36,400
Change in deferred outflows related to pensions	10,309
Change in deferred inflows related to pensions	(34,358)

Change in net position of governmental activities	\$ 1,425,692
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The accompanying notes are an integral part of this financial statement.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Industrial Board of Coffee County, Tennessee, Inc. (the Board) was incorporated in 1969. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Industrial Board of Coffee County, Tennessee, Inc. The Board is a component unit of Coffee County, Tennessee (the primary government). The primary government appoints members of the board of directors, and is funded primarily by appropriations from the county. The purpose of the Board is to promote industry and develop trade for Coffee County, Tennessee.

The financial statements of the Industrial Board of Coffee County, Tennessee, Inc. have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standard Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below:

Government-Wide Statements

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide Statement of Activities reports both the gross and the net cost of the Board's programs. The functions are also supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

As required by GASB Statement No. 63, net position is presented in the following three components:

- Net investment in capital assets – This component of net position 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. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves, Designations of Fund Balances

In the governmental fund financial statements, the Board has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The main objective of this standard is to improve the understandability and the usefulness of fund balance information by providing clear fund balance classifications. GASB Statement No. 54 shall only apply to the Board's governmental funds. Fund balance is reported in the fund financial statements under the following classifications:

Nonspendable fund balance – Amounts that cannot be spent because they are not in spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact (principal of permanent fund).

Restricted fund balance – Amount of fund balance that can be spent for specific purposes stipulated by external resource or through enabling legislation.

Committed fund balance – Amounts constrained for specific purposes as determined by formal action of the Board of Directors, the highest level of decision-making body. Amounts classified as committed are not subject to legal enforceability; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by the same highest level of action taken to commit the funds, either by resolution or ordinance.

Assigned fund balance – Amounts intended to be used by the Board but do not meet the criteria of restricted or committed. Intent can be expressed by the Board or by an official who has been designated this authority by the Board. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

Unassigned fund balance – In accordance with GAAP, unassigned fund balance is the residual classification of the General Fund that does not meet any of the other classifications.

Stabilization policy – The Board has a fund balance policy that requires that the unassigned fund balance be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment of changes resulting from fluctuations of revenue sources.

Spending policy – Unless otherwise stated, the fund balances will be spent in the following order:

- Restricted
- Committed
- Assigned
- Unassigned

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). Available means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The financial transactions of the Board are reported in individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures. The Board reports the following fund:

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund – This fund is used as the general operating fund of the Board. It is used to account for financial resources except those required to be accounted for in another fund.

The Board adopts a budget for the General Fund as a management control device. The budget is adopted on a basis consistent with generally accepted accounting principles.

Date of Management’s Subsequent Review

Management has evaluated subsequent events through December 29, 2015, which is the date the financial statements were available to be issued.

Impact of Recently Issued Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions Liabilities*, required for fiscal periods beginning after June 15, 2014. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Implementation of the Statement No. 68 resulted in a restatement of the beginning net position in government-wide statement of activities (see Note 10).

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. GASB Statement No. 71 is a one page amendment to GASB Statement No. 68.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment

Equipment is stated at cost, less accumulated depreciation, which is computed by the straight-line method over an estimated useful life of 5-20 years. Major expenditures for equipment and for repairs which substantially increase the useful lives are capitalized. Maintenance, minor repairs and minor acquisitions are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in revenue or expense.

Cash and Cash Equivalents

For purpose of reporting cash flows, cash equivalents include all short-term liquid investments with maturities of three months or less.

Accounts Receivable

The Board considers accounts receivable to be fully collectible at June 30, 2015; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged off when that determination is made.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and sick leave, if vested. Accumulated unpaid vacation and sick pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Position and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources.

Federal Income Taxes

The Industrial Board of Coffee County, Tennessee, Inc. is exempt from federal and state income tax.

Pension Plan

The Board does not provide a pension plan for its employees; however, employees are covered under the plan for Coffee County. Employees of Coffee County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Coffee County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Coffee County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Deferred Outflows of Resources

The Board reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The only deferred outflows of resources reported in this year's financial statements is a deferred outflow of resources for contributions made to the Board's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Board's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The Board's statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the System's statement of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. No deferred inflows of resources affect the governmental funds financial statements in the current year.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Board is authorized to deposit its' funds in banks, trust companies, or other depositories as the Board may select. Deposits are carried at cost. At year-end, the carrying amount of deposits was \$905,306, and the bank balance was \$905,295. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. At June 30, 2015, deposits of approximately \$5,482 were not collateralized.

NOTE 3 – CAPITAL ASSETS

Property, plant and equipment consist of various office machines and improvements, which are being depreciated over 5-20 years using the straight-line method.

A summary of changes in the capital assets is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets, being depreciated:				
Equipment	\$ 24,571	\$ -	\$ (8,881)	\$ 15,690
Land improvements	1,694,573	1,123,940	-	2,818,513
Vehicles	199,705	-	-	199,705
Total capital assets being depreciated	<u>1,918,849</u>	<u>1,123,940</u>	<u>(8,881)</u>	<u>3,033,908</u>
Less accumulated depreciation:				
Equipment	(21,949)	(1,611)	8,751	(14,809)
Vehicles	(69,896)	(9,985)	-	(79,881)
Total accumulated depreciation	<u>(91,845)</u>	<u>(11,596)</u>	<u>8,751</u>	<u>(94,690)</u>
Total capital assets being depreciated, net	<u>\$ 1,827,004</u>	<u>\$ 1,112,344</u>	<u>\$ (130)</u>	<u>\$ 2,939,218</u>

Depreciation expense for the year ended June 30, 2015 was \$11,596.

Land is transferred to the Board from Coffee County and in private-sector company account. It was deeded to the Board at \$1 with improvements made during 2014 and 2015 fiscal years. The property will be deeded to the company at the end in twenty years.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – NOTES PAYABLE AND OTHER OBLIGATIONS

A. Transaction Summary

Note and other obligations activity for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Notes payable:					
First Vision Bank - construction loan	\$ 843,952	\$ -	\$ (843,952)	\$ -	\$ -
Other obligations:					
Net pension liability (asset)	4,381 *	8,012	(44,412)	(32,019)	-
Compensated absences	10,493	4,253	-	14,746	-
Net other obligation payable	14,874	12,265	(44,412)	(17,273)	-
	<u>\$ 858,826</u>	<u>\$ 12,265</u>	<u>\$ (888,364)</u>	<u>\$ -</u>	<u>\$ -</u>

*As restated

The net pension obligation is generally liquidated from the fund incurring the related employee's compensation. See Note 5 for further pension disclosures.

B. Description of Amounts Payable

Other obligations:
 Compensated absences

\$ 14,746

NOTE 5 – PENSION

Plan description

Employees of the Board are provided a defined benefit pension plan through the Coffee County Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

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

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – PENSION (Continued)

The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	2
	<u>2</u>
	<u>2</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Coffee County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Coffee County were \$10,309 based on a rate of 8.78 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Coffee County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

At June 30, 2014, the Board reported an asset of \$32,019 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board’s proportion of the net pension liability was based on a projection of the Board long-term share of contributions to the pension plan relative to the projected contributions of all participating Coffee County, actuarially determined. At June 30, 2014, the Board’s proportion was 0.94 percent.

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – PENSION (Continued)

Actuarial assumptions

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Coffee County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – PENSION (Continued)

Sensitivity of the Board’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Board's proportionate share of the net pension liability (asset)	\$ 12,009	\$ (32,022)	\$ (68,684)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Coffee County financial report.

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

Pension income

For the year ended June 30, 2015, The Board recognized pension income of \$2,043.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 11,531
Net difference between projected and actual earnings on pension plan investments	-	22,827
Contributions subsequent to the measurement date as of June 30, 2014	10,309	(not applicable)
Total	\$ 10,309	\$ 34,358

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – PENSION (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,:		
2016	\$	(8,013)
2017		(8,013)
2018		(8,013)
2019		(8,013)
2020		(2,306)
Thereafter		-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the Board reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Industrial Board of Coffee County, Tennessee, Inc. and Coffee County participate in the state-administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA) for local governments. Prior to reaching age 65, all members have the option of choosing between standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial report (CAFR). The CAFR is available on the state’s website at <http://tennessee.gov/finbance/act/cafr.html>.

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employee’ premiums since the committee are not prescriptive on that issue. During the year, the Board contributed \$-0- to the plan. The liability for the Industrial Board of Coffee County, Tennessee, Inc. and Coffee County is not considered material. Addition actuarial information on the OPEB cost and obligation is available on the annual report for Coffee County, Tennessee for the year ended June 30, 2015.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Board receives a substantial amount of its' support from the local county government. A significant reduction in the level of such support, if this were to occur, may have an effect on the Board's programs and activities.

NOTE 8 – NOTE RECEIVABLE

The Board has a note receivable due from an individual dated September 28, 2006 to sell 17.42 acres located in the Coffee County Interstate Industrial Park. The gross sales price was \$104,520, with \$42,000 paid to the Board at closing, and a note receivable for the remainder of \$62,520. The note was due September 28, 2013 and is secured by a deed of trust on the property. No monthly payments were due until September 28, 2010, at which time payments of \$633 were commenced for not more than three years, with the remainder being due at September 28, 2013. According to the term of the note, interest is added to the principal balance annually. The interest rate is 5.5%. The balance of the note receivable at June 30, 2015 was \$79,129. No payments have been received during 2015 fiscal year; however, the note is considered collectible; therefore, no provision for loss has been recorded.

Schedule of changes to note receivable during the year follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Note receivable:					
Teal note	\$ 79,129	\$ -	\$ -	\$ 79,129	\$ 79,129
	<u>\$ 79,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,129</u>	<u>\$ 79,129</u>

NOTE 9 – LEASE AGREEMENT

The Board purchased a fire truck in July 2007 for \$199,705. The truck is to be leased to the Hickerson Station Fire Department. There is no stated monthly lease payment with the fire station responsible for insurance, maintenance and service on the truck with ownership remaining with the Board. The lease is for continuous twelve-month periods with sixty (60) days notice by either party required to terminate the lease agreement.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - RESTATEMENTS AND RECLASSIFICATIONS

As mentioned in Note 1 to the financial statements, the Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions Liabilities*. This pension standard includes significant changes on how governmental employers report liabilities related to pension obligations. As such, the opening fund balances have been adjusted to this change as follows:

	Governmental Activities
Net position, beginning, as previously presented	\$ 2,475,576
Implementation of GASB Statement No. 68 To reduce net position for amount of net pension liability as of July 1, 2014.	(4,381)
Net position, beginning, as restated	\$ 2,471,195

**REQUIRED
SUPPLEMENTARY INFORMATION**

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
 SCHEDULE OF THE BORD'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 COFFEE COUNTY PENSION PLAN**

Last Fiscal Year Ending June 30,

	2014
Board's proportion of the net pension liability (asset)	0.94%
Board's proportionate share of the net pension liability (asset)	\$ 32,019
Board's covered-employee payroll	\$ 120,761
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.51%
Plan fiduciary net position as a percentage of the total pension liability	109.50%

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

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF THE BORD'S CONTRIBUTIONS
COFFEE COUNTY PENSION PLAN**

Last Fiscal Year Ending June 30,

	2014	2015
Contractually required contribution	\$ 10,283	\$ 10,309
Contributions in relation to the actuarially determined contribution	10,283	10,309
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 120,761	 \$ 117,414
Contributions as a percentage covered- employee payroll	8.52%	8.78%

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

SUPPLEMENTARY INFORMATION

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	State Grant Number	Contract Amount	Receivable (Deferred) Balance July 1, 2014	Adjustments	Grant Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2015
STATE FINANCIAL ASSISTANCE PROGRAMS							
Tennessee Department of Economic and Community Development:							
Fasttrack Infrastructure Development Program:							
MDS Food	ECD-7545	\$ 94,000	\$ -	\$ -	(10,975)	\$ 10,975	\$ -
Great Lake Cheese Company, Inc.	7762	\$ 1,224,000	-	-	(741,427)	741,427	-
Aspen Technology	41151	\$ 346,150	-	-	(346,150)	346,150	-
Select Tennessee Certified Sites Program	7169	\$ 7,500	-	-	(7,165)	7,165	-
Total State Financial Assistance Programs			\$ -	\$ -	\$ (1,105,717)	\$ 1,105,717	\$ -

**INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF PUBLIC OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Official</u>	<u>Name</u>	<u>Bond Amount</u>
All employees	All employees	\$150,000 each and every loss \$500 deductible

See accompanying accountant's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**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***

To the Board of Directors
Industrial Board of Coffee County, Tennessee, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Industrial Board of Coffee County, Tennessee, Inc., as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Industrial Board of Coffee County, Tennessee, Inc.'s basic financial statements and have issued our report thereon dated December 29, 2015

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Industrial Board of Coffee County, Tennessee, Inc.'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 the Industrial Board of Coffee County, Tennessee, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Industrial Board of Coffee County, Tennessee, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-01 to 2015-03 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Board of Coffee County, Tennessee, Inc. financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Industrial Board of Coffee County, Tennessee, Inc.'s Response to Findings

The Industrial Board of Coffee County, Tennessee, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Industrial Board of Coffee County, Tennessee, Inc.'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.

Honsholder Antma PLLC

Tullahoma, Tennessee
December 29, 2015

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
JUNE 30, 2015

Item 2015-01: Segregation of Duties

The size of the Board's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: Exercise proper segregation of duties to the extent possible with limited employees.

Management's response: We concur with the auditors' finding and recommendation.

Item 2015-02: Financial Statement Preparation

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Board possesses an accounting department that is staffed with personnel with requisite skills and training to perform such function and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us, which were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the financial disclosures required by professional standards.

Recommendation: Management may wish to acknowledge and accept this deficiency or develop compensating controls.

Management's response: Although alternative options will be explored, due to the nature and size of our organization, it may not be feasible or possible to perform these functions internally.

Item 2015-03: Cash Collateralization

Deposits for the Board were not collateralized as required by state regulations.

Recommendation: The deposits of the funds should be collateralized as specified by regulations. Subsequent to year end, arrangements were made with the financial institution to monitor the bank accounts on quarterly basis in order to ensure that deposits are adequately collateralized.

Management's response: We concur with the auditors' finding and recommendation.

INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015

Item 2014-01: Segregation of Duties

The size of the Board's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Exercise proper segregation of duties to the extent possible with limited employees.

Update: See current year finding 2015-01.

Item 2014-02: Financial Statement Preparation

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Board possesses an accounting department that is staffed with personnel with requisite skills and training to perform such function and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us, which were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the financial disclosures required by professional standards.

Management may wish to acknowledge and accept this deficiency or develop compensating controls.

Update: See current year finding 2015-02.