MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

(A Nonprofit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2019

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
TABLE OF CONTENTS
JUNE 30, 2019

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

INTRODUCTORY SECTION

June 30, 2019

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2019

Staff
Kathy Price – Executive Director
Dana Ferguson– Executive Assistant/Membership Director

Board of Officers
Farah Reynolds – President
Scott Cass – Vice President
Chris Adams – Treasurer
Will Estes – Past President

Board Members

Public Funding Agencies Board Members
John Gentry, McMinn County Mayor
David Crews, McMinn County Commissioner
Chuck Burris, City of Athens Mayor
Burke Garwood, City of Etowah
Eric Newberry, Athens Utilities Board
Harold Masengil, Etowah Utilities Board

General Membership Board Members
Erin Holbrook, Denso Manufacturing Athens, TN
Rhonda Owens, Adient
Jason Robertson, Southern Construction/Erosion Solutions
Chuck Gilreath, ABB
Steve Keylor, Waste Connections
Sherry McKee, McKee Promotions
Matt Mason, Southeast Bank
Kenley Hansen, Waupaca Foundry

Greenbelt Property Owner Board Member
Jerry Smith

Ex-officio Voting Members
Rob Preston, Athens Area Chamber of Commerce
Stewart Smith, TN College of Applied Technology, Athens
Durant Tullock, Etowah Area Chamber of Commerce
Elizabeth Pierce-Oswalt, McMinn County Schools

Ex-officio Non-voting Members
Tina Tuggle, City Manager, City of Etowah
C. Seth Sumner, City of Athens, City Manager
Mike Bell, State Senator
Mark Cochran, State Representative
Lois Preece, City of Niota
Jeff Schumacher, Daily Post – Athenian

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

FINANCIAL SECTION

June 30, 2019

Whitlock & Company, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
McMinn County Economic Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of McMinn County Economic Development Authority (the "Authority") (a nonprofit organization), as of June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the McMinn County Economic Development Authority, as of June 30, 2019, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 – 7, and required supplementary schedules on pages 27 – 31 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 an opinion on the financial statements that collectively comprise the McMinn County Economic Development Authority's basic financial statements. The Introductory Section on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Introductory Section 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 November 26, 2019 on our consideration of the Authority'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 solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard's* in considering the Authority's internal control over financial reporting and compliance.

Whitlock & Company, PC

Alcoa, Tennessee
November 26, 2019

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)

June 30, 2019

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

FINANCIAL HIGHLIGHTS

Our discussion and analysis of the McMinn County Economic Development Authority's financial performance provides an overview of the Authority's activities for the year ended June 30, 2019. Please read it in conjunction with the Authority's financial statements, as listed in the Table of Contents

Authority net position increased by $14,905 for the fiscal year reported.

Total net position is comprised of the following:

1. Investment in capital assets of $17,571 includes property and equipment, net of accumulated depreciation.
2. Unrestricted net position of $222,933 represents the portion available to maintain the Authority's continuing obligation to the McMinn County residents.
3. Restricted net position of $3,688,867 represents the portion available for industrial park property held for resale and improvements of the property.

Total operating revenues for the year ended June 30, 2019 and 2018 were $255,150 and $243,650, respectively.

Total operating expenses for the year ended June 30, 2019 and 2018 were $241,186 and $223,889, respectively.

Total liabilities of the Authority increased from $31,734 to $106,810 during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statement includes: (1) Statement of Net Position, (2) Statement of Revenues, Expenses and Change in Net Position, (3) Statement of Cash Flows, and (4) Notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

The *Statement of Net Position* is a statement of position presenting information that includes all of the Authority's assets and liabilities, with the differences reported as Net Position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall economic health of the Authority would extend to other non-financial factors, such as county population changes or advances in communications technology, in addition to the financial information provided in this report.

The *Statement of Revenues, Expenses and Change in Net Position* reports how the Authority's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. This statement is designed to show the financial reliance of the Authority's activities on revenues provided by McMinn County, Cities of Athens and Etowah, and Etowah and Athens Utilities Boards.

The *Statement of Cash Flows* traces the effect that the fiscal year financial events had on the balance of cash in Authority accounts. It is useful in planning major purchases or retirement of debt, but is not a measure of net income or loss.

The *Notes to the Financial Statements* provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is: "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Positon and the Statement of Revenues, Expenses and Changes in Net Position reports information about the Authority's activities in a way that will help answer this question. These statements report the net position of the Authority and the changes in it. One can think of the Authority's net position as one way to measure financial health of the organization. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. The Authority's net position has increased by $14,905 during the year ended June 30, 2019.

Table 1
Net Position

	June 30, 2019	June 30, 2018	Increase (Decrease)
Assets:			
Current and other assets	$ 297,711	$ 212,545	$ 85,166
Capital assets and non-depreciable property held for resale	3,706,438	3,708,415	(1,977)
Total assets	4,004,149	3,920,960	83,189
Deferred outflows of resources	40,190	26,630	6,425
Liabilities:			
Other liabilities	106,810	31,734	75,076
Deferred inflows of resources	8,158	1,390	(367)
Net Position:			
Net investment in capital assets	17,571	19,548	1,977
Unrestricted	222,933	206,051	16,882
Restricted	3,688,867	3,688,867	-
Total net position	$ 3,929,371	$ 3,914,466	$ 14,905

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table 2
Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2019	June 30, 2018	Increase (Decrease)
Revenue:			
Operating revenue	$ 255,150	$ 243,650	$ 11,500
Expenses:			
Operating expenses	241,186	223,889	17,297
Operating income	13,964	19,761	(5,797)
Non-operating income (expense):			
Interest income	941	268	673
Change in net position	14,905	20,029	(5,124)
Beginning net position	3,914,466	3,894,437	20,029
Ending net position	$ 3,929,371	$ 3,914,466	$ 14,905

Budgetary Highlights

The Authority adopts an annual operating budget which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Capital Assets

The Authority's total investment in capital assets amounts to $48,696 with accumulated depreciation of $31,125, for a net investment of $17,571. Capital assets include a vehicle, office furniture and equipment.

Table 3
Capital Assets

	June 30, 2019	June 30, 2018
Automobile	$ 37,509	$ 37,509
Office furniture and equipment	11,187	11,187
	48,696	48,696
Less accumulated depreciation	31,125	(29,148)
Total capital assets, net	$ 17,571	$ 19,548

	June 30, 2019	June 30, 2018
Non-depreciable property held for resale:		
Mt. Verd Industrial Park	$ 1,344,093	$ 1,344,093
Athens I-75 Industrial Park	1,877,170	1,877,170
North Etowah Industrial Park	467,604	467,604
	$ 3,688,867	$ 3,688,867

Economic Factors and Future Needs

Originally, the McMinn County Economic Development Authority was established to recruit manufacturing industries. Over the past years, the Authority has evolved into a much more diverse entity. The Authority's main two functions are to recruit both new industry and to aid existing industries in their expansion efforts.

Contact the Authority's Management

This annual financial report is designed to provide a general overview of the McMinn County Economic Development Authority's finances and to demonstrate its accountability for the funding it receives. If you have any questions about this report, or need additional financial information, please contact the Authority's Executive Director at McMinn County Economic Development Authority, 9 E. Madison Avenue, Suite 201, Athens, TN 37303.

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

BASIC FINANCIAL STATEMENTS

June 30, 2019

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	$ 276,485	
Accounts receivable	17,426	
Prepaid expenses	3,800	
Total Current Assets		$ 297,711
Capital assets, net		17,571
Non-depreciable Property held for resale:		
Mt. Verd Industrial Park	1,344,093	
Athens I-75 Industrial Park	1,877,170	
North Etowah Industrial Park	467,604	
Total Non-depreciable Property Held for Resale		3,688,867
Total assets		4,004,149
Deferred outflows of resources:		
Pension changes in expected and actual experience	18,756	
OPEB changes in assumptions	176	
Pension changes in assumptions	1,011	
Pension contributions subsequent to the measurement date	20,247	
Total Deferred Outflows of Resources		40,190
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accounts payable	15,955	
Deferred revenue	64,818	
Accrued liabilities	616	
Total Current Liabilities		81,389
Other Liabilities:		
Net pension liability	14,902	
Net post-employment benefit liability	10,519	
Total Other Liabilities		25,421
Deferred inflows of resources:		
OPEB – changes in assumptions	54	
Pension changes in expected and actual experience	7,135	
Pension changes in investment earnings – actual and projected	817	
OPEB – difference between expected and actual expense	152	
Total Deferred Inflows of Resources		8,158
Net Position:		
Investment in capital assets		17,571
Unrestricted		222,933
Restricted for industrial property for resale/improvements		3,688,867
Total Net Position		$ 3,929,371

See accompanying independent auditors' report and notes.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSTION
FOR THE YEAR ENDED JUNE 30, 2019

OPERATING SUPPORT AND REVENUES:	
Athens Utilities Board	$ 61,000
City of Athens	35,000
City of Etowah	5,000
Etowah Utilities Board	20,000
McMinn County	65,000
General membership	25,650
EDA Partners	30,000
Grants: IDB	10,000
TVA Partnership	3,500
Total Operating Support and Revenues	255,150
OPERATING EXPENSES:	
Communications	2,437
Salaries	135,633
Payroll taxes/fringe benefits	19,164
Business insurance	5,382
Office supplies and postage	6,056
Marketing	2,784
Retirement	11,720
Dues and subscriptions	4,117
Website	14,527
Professional fees	7,625
Salute to Industry Day	6,287
Meetings	2,448
OPEB expense	542
Travel and business development	14,954
Local travel	4,181
Depreciation	1,977
Miscellaneous	1,352
Total Operating Expenses	241,186
Operating Income	13,964
NON-OPERATING REVENUE (EXPENSE)	
Interest earned	941
TN Site Development grant	269,213
TN Site Development expenses	(269,213)
Total Non-operating Revenue (Expense)	941
Change in Net Position	14,905
Net Position - Beginning of year	3,914,466
Net Position – End of year	$ 3,929,371

See accompanying independent auditors' report and notes.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from support and revenues	$ 239,905
Cash paid to vendors and suppliers	(35,335)
Payments to employees	(135,633)
Net Cash Flows Provided by Operating Activities	68,937
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	941
Net Increase in Cash and Cash Equivalents	69,878
Cash and Cash Equivalents at Beginning of Year	206,607
Cash and Cash Equivalents at End of Year	$ 276,485
Reconciliation of Operating Income to Cash Provided by Operating Activities:	
Operating income	$ 13,964
Depreciation	1,977
Deferred outflows/inflows (Pension/OPEB)	(10,092)
Changes in Assets and Liabilities:	
Receivables	(15,245)
Prepaid insurance	43
Accounts payable/accrued liabilities	13,472
Deferred revenue	64,818
Cash Provided by Operating Activities	$ 68,937

See accompanying independent auditors’ report and notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations. The primary objective of the McMinn County Economic Development Authority (established October 30, 1986) is to promote McMinn County, Tennessee in terms of industrial development and expansion. The Authority endeavors to recruit new industry into McMinn County as well as to aid existing industries in their expansion efforts. The Authority is supported primarily through funding from local governments and general membership dues. The Authority's By-laws authorize that a Board of Directors shall manage the business and affairs of the entity, and are authorized to employ an Executive Director and staff to manage the entity. The By-laws reflect the following as the Board of Directors:

1) McMinn County Mayor
2) One representative from each of the public funding agencies of the entity (5)
3) Twelve members from the general membership to be elected at the annual meeting
   The first election will be 4 members elected for a 1-year term, 4 members elected for a 2-year term, and 4 members elected for a 3-year term
4) Two ex-officio voting members representing the Athens and Etowah Chambers of Commerce
5) One ex-officio non-voting position each from the cities of Calhoun, Englewood, and Niota
6) Five ex-officio non-voting members – City Manager of Athens and Etowah, the State Senator and Representative who represent McMinn County, and Publisher of the Daily Post-Athenian
7) One representative owning property in Green Belt Status
8) Two ex-officio voting Directors from education systems: one from TN College of Applied Technology in Athens, and one position rotating biennial from McMinn County Schools, Athens City Schools, Etowah City Schools, or TN Wesleyan University

Basis of accounting. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accompanying financial statements include the Authority and all its component units (if applicable), collectively referred to as "the financial reporting entity", in accordance with the Governmental Accounting Standards Board's ("GASB") Statement 14 as amended by GASB Statement 39.

Basis of presentation. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (Continued). The McMinn County Economic Development Authority's operations are accounted for as a proprietary fund. This fund type is used to account for operations 1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Cash and cash equivalents. For financial statement purposes, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying amounts reflected in the statement of financial position for cash and cash equivalents approximate the respective fair values due to the short maturities of those investments.

Property and equipment. The Authority capitalizes all expenditures for furnishings and equipment in excess of $1,000. Purchased furnishings and equipment are carried at cost. Depreciation is computed using the declining balance method. Non-depreciable property held for resale is recorded at acquisition cost plus improvement costs.

Unearned revenue. It is the Authority's policy to invoice members and funding agencies prior to the beginning of the next fiscal year. Income from membership dues and agency funding is deferred and recognized over the period to which it relates.

Advertising. The Authority uses advertising to promote its programs and services among the audiences it serves. Advertising costs are expensed as incurred.

Tax exempt status. The Authority is exempt from federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. However, income from certain activities not directly related to the Authority's tax-exempt purpose is subject to taxation as unrelated business income. There was no such income for the year ended June 30, 2019. The Organization's Forms 990 *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2016, 2017 and 2018 are subject to examination by the Internal Revenue Service, generally for three years after the returns are filed.

Contributed facilities. The Authority occupies without charge an office located in a government-owned building. The estimated fair rental value of the premises is not included in the accompanying financial statements.

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.

Related organizations. The Authority Board consists of twenty-nine members including appointed officials from McMinn County and the cities of Athens, Etowah, Englewood, and Niota.

Concentration of support. The Authority is highly dependent on the funding by the participating governmental entities which provided 73% and 77% of the Authority's support for the 2019 and 2018 fiscal years, respectively.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Non-operating Revenues and Expenses. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority include general memberships and EDA Partners. Operating expenses include personnel costs, contractual services, and expenses include personnel costs, contractual services, and expenses related to special projects. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Other Post-Employment Benefits (OPEB) for Retiree Health Insurance. MCEDA provides certain retiree health insurance benefits in a single employer defined benefit OPEB plan through the LGIP which is administered by the State of Tennessee. Benefits are recognized when due and payable in accordance with the benefit terms of the OPEB plan.

Pensions. 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 McMinn County Economic Development Authority's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from McMinn County Economic Development Authority'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 Employees Retirement Plan of TCRS. Investments are reported at fair value.

Net Position Flow Assumptions. Net position – net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net investment of capital assets will also include deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are any significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, the portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted or external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as net position – restricted and net position – unrestricted, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider net position – restricted to have been depleted before net position – unrestricted is applied.

(Continued)

NOTE 2 – CASH

In order to provide a safe temporary medium for investments of idle funds, the Authority is authorized by the Tennessee Code Annotated to invest in the following:

1. Bonds, notes, or treasury bills of the United States;
2. Non-convertible debt securities of certain issuers;
3. Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
4. Certificates of Deposit at state and federal chartered banks and savings and loan associations;
5. Obligations of the United States or its agencies under a repurchase agreement of approved as an authorized investment by the State Director of Local Finance;
6. Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
7. The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Custodial Credit Risk – The Authority has no formal policy regarding custodial credit risk. However, cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee States Bank Collateral Pool. In accordance with state law, all deposits of monies in financial institutions must be federally insured or secured with acceptable collateral.

Total cash with a carrying value of $276,485 at June 30, 2019 is fully insured and summarized as follows:

Cash:	
Cash in checking:	
Simmons Bank (annual yield 0.15%)	$ 199,266
First Volunteer Bank (annual yield 0.03%)	26,614
Certificate of Deposit:	
SouthEast Bank (matures 8/12/18 @ .39% interest)	50,605
Total Cash	**$ 276,485**

NOTE 3 – NON-DEPRECIABLE PROPERTY HELD FOR RESALE

Property held for resale is stated at cost, including interest capitalized during development. The property's purpose is to attract industry to McMinn County. Proceeds from the sale of the I-75 and Mt. Verd property will be retained by the Authority for future industrial property purchases and maintenance activities.

In June 2000, the City of Etowah conveyed a portion of the North Etowah Industrial Park to the Authority for future development and sale. The Authority, the City of Etowah and McMinn County have executed an agreement regarding the disposition of the proceeds from any sales of said property.

(Continued)

NOTE 4 – FURNISHINGS AND EQUIPMENT

Furnishings and equipment at June 30 consists of the following:

	Balance 7-1-18	Additions	Retirements	Balance 6-30-19
Office furnishings	$ 11,187	$ -	$ -	$ 11,187
Auto	37,509	-	-	37,509
	48,696	-	-	48,696
Less: accumulated depreciation	(29,148)	(1,977)	-	(31,125)
	$ 19,548	$ (1,977)	$ -	$ 17,571

Depreciation expense was $1,977 for the year ended June 30, 2019.

NOTE 5 – GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description:

Employees of the Authority are provided a defined benefit pension plan through the 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 https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

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 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. 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.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI Change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

(Continued)

NOTE 5 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

Employees Covered by Benefit Terms:

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	2
	2

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. The Authority makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, employer contributions for the Authority were $20,247 based on a rate of 14.33% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Authority'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)

McMinn County Economic Development Authority's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

(Continued)

NOTE 5 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

Actuarial assumptions: (Continued)

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount rate:

The discount rate used to measure the total pension liability was 7.25 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 MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY will be made at the actuarily 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.

(Continued)

NOTE 5 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

Schedule of Changes in Net Pension Liability (Asset).

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2017	$ 64,607	$ 45,688	$ 18,919
Service cost	15,093	-	15,093
Interest	5,778	-	5,778
Difference between expected and actual experience	3,087	-	3,087
Changes of assumptions	-	-	-
Contributions – employer	-	16,957	(16,957)
Contributions - employee	-	6,452	(6,452)
Net investment income	-	4,756	(4,756)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(190)	190
Net Changes	23,958	27,975	(4,017)
Balance at June 30, 2018	$ 88,565	$ 73,663	$ 14,902

Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate.

The following represents the net pension liability (asset) calculated using the stated discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	$ 29,647	$ 14,902	$ 2,911

(Continued)

NOTE 5 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

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

	Pension Expense (Income)
Service cost	$ 15,093
Interest	5,778
Changes of benefit terms	-
Contributions-employee	(6,452)
Projected investment income	(4,154)
Recognition of experience (gains)/losses	1,219
Recognition of investment (gains)/losses	(122)
Recognition of assumption changes	168
Administrative expense	190
Other changes in plan fiduciary net position	-
Pension Expense (Income)	$ 11,720

For the year ended June 30, 2019, the recognized pension expense is $11,720. At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,756	$ 7,135
Changes of assumptions	1,011	-
Net difference between projected and actual earnings of pension plan investments	446	1,263
Contributions after measurement date of June 30, 2018	20,247	-
Total	$ 40,460	$ 8,398

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:	Outflows (a)	Inflows (b)	Amount Reported (a) + (b)
2020	$ 2,732	$ (1,467)	$ 1,265
2021	2,666	(1,467)	1,199
2022	2,474	(1,467)	1,007
2023	2,474	(1,207)	1,267
2024	2,474	(1,087)	1,387
Thereafter	7,395	(1,699)	5,696

Payable to the Pension Plan

At June 30, 2019, the Authority reported a payable of $2,185 for the outstanding amount of contributionws to the pension plan required for the year ended June 30, 2019.

(Continued)

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) FOR RETIREE HEALTH INSURANCE

Plan description.

The employer provides certain retiree health insurance benefits in a single employer defined benefit OPEB Plan through the LGIP which is administered by the State of Tennessee. All employees covered by the LGIP and hired prior to July 1, 2015 are covered by the OPEB Plan. According to State law in effect on the measurement date, employees first hired on or after July 1, 2015 are not eligible to continue health insurance coverage under the OPEB Plan after retiring. Any changes to the law will be recognized in future measurements. For eligible employees, some employers provide a direct subsidy toward the premium for certain employees; all employers provide an implicit subsidy; and the retiree pays any balance of the required premium remaining.

Funding policy.

There are no assets or trust fund accumulating to pre-fund the OPEB obligation. The funding policy is to pay the OPEB obligation as it comes due each month on a pay-as-you-go basis. The total premium rate structure required for LGIP coverage is established by and may be amended by the Benefits Administration unit of the State and the State Insurance Committee. The local employer sets its own level of subsidy for the designated classification of members.

Eligibility.

Eligibility to commence OPEB coverage is the same as eligibility for retirement under the Tennessee Consolidated Retirement System (TCRS), with the added conditions of (a) having being at least age 55 with at least 10 years of employment with the employer and three continuous years of insurance coverage in the LGIP immediately prior to final termination for retirement (or age 55 with at least 20 years of such employment if only one year of such coverage) and (b) receiving monthly pension from TCRS. Additional rules apply for OPEB coverage for TCRS – approved disabilities. Alternative conditions are made for any locally sponsored public safety retirement plan or utility board member.

With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGIP and this OPEB Plan upon attaining eligibility for Medicare benefits. In addition to subsidies that may be provided by the local employers for retiree premiums, the OPEB benefits include access to coverage for the retiree and dependents under the Medical, Prescription, Dental, Vision, and Long Term Care (LTC access for retirees was discontinued effective January 1, 2018).

Benefits.

The employer may provide a flat dollar or percent subsidy depending on years of service, job classification, health plan option and tier selected. The State does not provide a subsidy for local government participants.

Coverage.

The Authority has two active employees in OPEB described above.

(Continued)

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) FOR RETIREE HEALTH INSURANCE (Continued)

Statement of OPEB Employer Fiscal Year Ended June 30, 2019
(Based on Measurement Year Ended June 30, 2018)

OPEB Expense		
Service Cost	$	218
Interest on the Total OPEB Liability		354
Current-Period Benefit Changes		-
OPEB Plan Administrative Expense		-
Recognition of Outflow/(Inflow) of Resources due to Liabilities		(30)
Total OPEB Expense	$	542

Recognition of Deferred Outflows and Inflows of Resources.

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the average of the expected remaining service lives for purposes of recognizing the applicable combined deferred outflows and inflows of resources established in the current measurement period is 10.1 years.

Statement of Remaining Deferred Outflows and Inflows of Resources
Employer Fiscal Year Ended June 30, 2019 (Based on Measurement Year Ended June 30, 2018)

A. Outflows and Inflows of Resources by Source to be Recognized in Current OPEB Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	$ -	$ 152	$ (152)
Changes in assumptions and other inputs	176	54	122
Total	$ 176	$ 206	$ (30)

B. Average of the Expected Remaining Service Lives 10.1

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ 1,388	$ (1,388)
Changes in assumptions and other inputs	1,599	295	1,304
Total	$ 1,599	$ 1,683	$ (84)

(Continued)

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) FOR RETIREE HEALTH INSURANCE (Continued)

Statement of Remaining Deferred Outflows and Inflows of Resources
Employer Fiscal Year Ended June 30, 2019 (Based on Measurement Year Ended June 30, 2018) (Continued)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future OPEB Expenses

Year Ending June 30,	Net Deferred Outflows Of Resources
2020	$ (30)
2021	(30)
2022	(30)
2023	(30)
2024	(30)
Thereafter	66
Total	$ (84)

E. Estimated Outflow of Resources due to Contributions/Benefits Paid After the Measurement Date - $20

F. Sensitivity of Total OPEB Liability to the Discount Rate Assumption:

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.62%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease 2.62%	Current Discount Rate Assumption 3.62%	1% Increase 4.62%
$ 11,037	$ 10,519	$ 9,945

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease (5.75% down to 2.81%)	Current Healthcare Cost Trend Rate Assumption (6.75% down to 3.81%)	1% Increase (7.75% down to 4.81%)
$ 9,555	$ 10,519	$ 11,580

Discount Rate.

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this actuarial roll-forward, the municipal bond rate is 3.62% (based on the daily rate of Fidelity's "20-Year Municipal GO AA Index" closest to but not later than the measurement date). The discount rate was 3.56% as of the beginning of the measurement year.

(Continued)

Plan Assets.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

G. Summary of Outstanding Outflows/(Inflows)

Date Established	Source	Recognition Period(years)	Original Amount	Years Remaining	Amount Unrecognized Beginning Of Period	Amount Recognized Current Expense	Amount Deferred to Future Periods
Deferred Outflows of Resources							
6/30/2018	Assumption Changes	N/A	$ -	N/A	$ -	$ -	$ -
6/30/2019	Assumption Changes	10.1	$ 1,775	10.1	$ 1,775	$ 176	$ 1,599
6/30/2019	Liability Experience	N/A	$ -	N/A	$ -	$ -	$ -
		SUBTOTAL:	1,775		1,775	176	1,599
Deferred Inflows of Resources							
6/30/2018	Assumption Changes	7.5	$ 403	6.5	$ 349	$ 54	$ 295
6/30/2019	Assumption Changes	N/A	$ -	N/A	$ -	$ -	$ -
6/30/2019	Liability Experience	10.1	$ 1,540-	10.1	$ 1,540	$ 152	$ 1,388
		SUBTOTAL:	1,943		1,889	206	1,683
	GRAND TOTAL:		$ (168)		$ (114)	$ (30)	$ (84)

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of temporary cash investments. At times, cash balances held at financial institutions may be in excess of FDIC insurance limits. The Authority places its temporary cash investments with high-credit, quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. At June 30, 2019, cash balances did not exceed FDIC insurance limits. The Authority believes no significant concentration of credit risk exists with respect to these cash investments.

The Authority receives approximately 74% of its annual budget from McMinn County, Cities of Athens and Etowah, and the local Athens utility. This funding could be cut or terminated at any time.

NOTE 8 – RISK FINANCING ACTIVITIES

It is the policy of the Authority to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health insurance. Settled claims have not exceeded commercial coverage in any of the past three (3) fiscal years.

(Continued)

NOTE 9 – VACATION AND COMPENSATED ABSENCES

Employees of McMinn County Economic Development Authority adhere to the Authority's personnel policy regarding vacation and sick leave. The number of vacation days an employee accrues each month is determined by the individual employee's number of years of service. Vacation may be accrued and carried over. Upon termination of employment, the Development Authority will only pay out a maximum of 21 days of accrued vacation days. Sick leave accrues at a rate of eight (8) hours per month. There is no pay out for accrued sick leave upon termination of employment. No accrual was required for compensated absences and vacation at June 30, 2019.

NOTE 10 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 26, 2019, which is the date on which the financial statements were issued.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
McMinn County, Tennessee

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ended June 30,

	2015	2016	2017	2018
Total pension liability (asset)				
Service cost	$ 10,825	$ 16,359	$ 17,228	$ 15,093
Interest	812	3,897	4,844	5,778
Changes in benefit terms	-	-	-	-
Differences between actual & expected experience	23,966	(6,124)	(3,797)	3,087
Change of assumptions	-	-	1,347	-
Benefit payments, including refunds of employee contributions	-	-	(4,750)	-
Net change in total pension liability	35,603	14,132	14,872	23,958
Total pension liability-beginning	-	35,603	49,735	64,607
Total pension liability-ending (a)	$ 35,603	$ 49,735	$ 64,607	$ 88,565
Plan fiduciary net position				
Contributions – employer	$ 10,825	$ 14,841	$ 15,093	$ 16,957
Contributions – employee	-	-	5,743	6,452
Net investment income	74	403	3,841	4,756
Benefit payments, including refunds of employee contributions	-	-	(4,750)	-
Administrative expense	(102)	(151)	(129)	(190)
Other	-	-	-	-
Net change in plan fiduciary net position	10,797	15,093	19,768	27,975
Plan fiduciary net position – beginning	-	10,797	25,890	45,688
Plan fiduciary net position – ending (b)	$ 10,797	$ 25,890	$ 45,688	$ 73,663
Net Pension Liability (asset)-ending (a) – (b)	$ 24,806	$ 23,845	$ 18,919	$ 14,902

** GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Years will add to this schedule in future fiscal years until 10 years of information is available.

Changes in assumptions: In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Continued)
Based on Participation in the Public Employee Pension Plan of the TCRS
Last Fiscal Year Ending June 30,

	2015	2016	2017	2018
Plan fiduciary net position as a percentage of total pension liability	30.33%	52.06%	70.72%	83.17%
Covered payroll	$ 83,723	$ 114,780	$ 114,866	$ 129,047
Net pension liability (asset) as a percentage of covered payroll	29.63%	20.77%	16.47%	11.55%

** GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Years will add to this schedule in future fiscal years until 10 years of information is available.

SCHEDULE OF CONTRIBUTIONS**

Based On Participation In The
Public Employee Pension Plan of TCRS
Past Fiscal Year Ended June 30,

	2015	2016	2017	2018	2019
Actuarially determined contribution	$ 10,825	$ 14,841	$ 15,093	$ 16,957	$ 20,247
Contributions in relation to the actuarially determined contribution	(10,825)	(14,841)	(15,093)	(16,957)	(20,247)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 83,723	$ 114,780	$ 114,866	$ 129,047	$ 135,633
Contributions as a percentage covered - employee payroll	12.93%	12.93%	13.14%	13.14%	14.33%

** GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Years will add to this schedule in future fiscal years until 10 years of information is available.

Changes in assumptions: In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGE 29
For the Fiscal Year Ended June 30, 2019

Valuation date:

Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed with a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 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	2.25 percent

Changes in assumptions: In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**
Schedule of Changes in Total OPEB Liability and Related Ratios
Measurement Year Ended June 30, 2018
(Ultimately 10 Years Will Be Displayed)

Measurement Year Ended June 30,	2017	2018
A. Total OPEB Liability		
1. Service Cost	$ 248	$ 218
2. Interest on the Total OPEB Liability	287	354
3. Changes of benefit terms	-	-
4. Difference between expected and actual experience of the Total OPEB Liability	-	(1,540)
5. Changes in assumptions and other inputs	(403)	1,775
6. Benefit payments	-	(4)
7. Net change in Total OPEB Liability	132	803
8. Total OPEB Liability - Beginning	9,584	9,716
9. Total OPEB Liability - Ending	$ 9,716	$ 10,519
B. Estimated Covered –Employee Payroll	128,229	135,633
C. Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.6%	7.8%

**GASB 75 requires a 10-year schedule for this date to be presented starting with the implementation of GASB 75. Years will add to this schedule in future fiscal years until 10 years of information is available.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES (OPEB)
PRESENTED ON PAGE 30
For the Fiscal Year Ended June 30, 2019

Notes to Schedule of Changes in Total OPEB Liability and Related Ratios

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2018

Methods and Assumptions Used to Determine Total OPEB Liability:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	3.62%
Salary Increases	Salary increase rates used in the July 1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation
Retirement Age	Retirement rates used in the July 1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Mortality	Mortality table used in the July1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Healthcare Cost Trend Rates	Based in the Getzen Model, with trend starting at 6.75% for 2019 calendar year, and gradually decreasing 32-year period to an ultimate trend rate of 3.53% with 0.28% added to approximate the effect of the excise tax
Aging factor	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
Expenses	Administrative expenses are included in the per capita health costs

Other Information:

Notes	Changes in assumptions and other inputs include the change in the Discount rate from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change is reflected in the Schedule of Changes in Total OPEB Liability. There were no benefit changes during the measurement period.

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

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

June 30, 2019

Whitlock & Company, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLAINCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
McMinn County Economic Development Authority

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 business-type activities of McMinn County Economic Development Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise McMinn County Economic Development Authority's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered McMinn County Economic Development Authority'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 McMinn County Economic Development Authority'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McMinn County Economic Development Authority's financial statements are free from material misstatements, 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 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.

Whitlock & Company, PC

Alcoa, Tennessee
November 26, 2019

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019

A. Current year findings – none

B. Prior year findings – none