

**MCMINN COUNTY  
ECONOMIC DEVELOPMENT AUTHORITY**

(A Nonprofit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2014

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**TABLE OF CONTENTS**  
JUNE 30, 2014

	<u>PAGE</u>
INTRODUCTORY SECTION:	
List of Principal Officials	1
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	2 - 3
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	4 - 7
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Revenues, Expenses and Change in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11– 15
SUPPLEMENTAL INFORMATION:	
Schedule of Expenses	16
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based in an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**LIST OF PRINCIPAL OFFICIALS**  
JUNE 30, 2014

**Executive Director**

Kathy B. Knight

**Board of Officers**

Durant Tullock - President  
Stuart Sullins – Vice President  
Thom Johnson - Treasurer  
Sidney Breaux – Past President

**Board Members**

**Funding Agencies Board Members**

John Gentry, McMinn County Mayor  
David Crews, McMinn County Commissioner  
Dick Pelley, City of Athens  
Bob Lambert, Jr., City of Etowah  
Eric Newberry, Athens Utilities Board

**General Membership Board Members**

Art Kimball  
Dab Scherle  
David Alley  
Joe Holbrook  
Rhonda Whaley  
Will Estes  
Jason McConkey  
Jim Wilson  
Shane Sewell

**Greenbelt Property Owner Board Member**

Chris Webb

**Ex-officio Voting Members**

Rob Preston  
Stewart Smith

**Ex-officio Non-voting Members**

Matt Gravley, City of Etowah  
Mitchell Moore, City of Athens  
Mike Bell, State Senator  
John Forgety, State Representative  
Vacant, City of Calhoun  
Vacant, City of Englewood  
Vacant, City of Niota



Joe S. Ingram, CPA  
Lonas D. Overholt, CPA  
Robert L. Bean, CPA

428 Marilyn Lane  
Alcoa, Tennessee 37701

Telephone  
865-984-1040  
Facsimile  
865-982-1665

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees 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, 2014, 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 opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of McMinn County Economic Development Authority, as of June 30, 2014, and the respective changes in financial position 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 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 Authority's basic financial statements. The Schedule of Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenses is the responsibility of management and was derived from and relates 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 Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014 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 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 Standard's* in considering the Authority's internal control over financial reporting and compliance.

*Ingram, Overholt & Bean, PC*

Alcoa, Tennessee

November 19, 2014

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014

**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, 2014. Please read it in conjunction with the Authority's financial statements, as listed in the Table of Contents

Authority net position decreased by \$127,242 for the fiscal year reported.

Total net position is comprised of the following:

1. Net investment in capital assets of \$10,828 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
2. Unrestricted net position of \$45,752 represents the portion available to maintain the Authority's continuing obligation to the McMinn County residents and creditors.
3. Restricted net position of \$3,675,212 represents the portion available for industrial park property held for resale and improvement funds for the property.

Total revenues for the year ended June 30, 2014 and 2013 were \$751,869 and \$431,635, respectively.

Total expenses for the year ended June 30, 2014 and 2013 were \$879,111 and \$499,701, respectively.

Total liabilities of the Authority decreased from \$82,052 to \$41,525 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 Changes 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 Changes 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, McMinn County Bond Board and Athens Utilities Board.

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.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
JUNE 30, 2014

**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 Position 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 decreased by \$127,242 during the year ended June 30, 2014.

**Table 1**  
**Net Position**

	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2014</u></b>	<b><u>Increase (Decrease)</u></b>
Assets:			
Current and other assets	\$ 344,830	\$ 154,775	\$ (190,055)
Capital assets	<u>3,596,506</u>	<u>3,630,642</u>	<u>34,136</u>
Total assets	<u>3,941,336</u>	<u>3,785,417</u>	<u>(155,919)</u>
Liabilities:			
Long-term liabilities	16,751	5,410	(11,341)
Other liabilities	<u>65,301</u>	<u>36,115</u>	<u>(29,186)</u>
Total liabilities	<u>82,052</u>	<u>41,525</u>	<u>(40,527)</u>
Deferred inflows of resources:			
Funding received in advance	<u>250</u>	<u>12,100</u>	<u>11,850</u>
Net Position:			
Net investment in capital assets	19,960	10,828	(9,132)
Unrestricted	5,324	45,752	40,428
Restricted	<u>3,823,750</u>	<u>3,675,212</u>	<u>(148,538)</u>
Total net position	<u>\$ 3,859,034</u>	<u>\$ 3,731,792</u>	<u>\$ (127,242)</u>

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
JUNE 30, 2014

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**

	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>Increase (Decrease)</b>
Revenue:			
Operating revenue	\$ 431,635	\$ 751,696	\$ 320,061
Expenses:			
Program services	431,309	815,493	384,184
Supporting services	<u>68,392</u>	<u>63,618</u>	<u>(4,774)</u>
Total Expenses	<u>499,701</u>	<u>879,111</u>	<u>379,410</u>
Operating income (loss)	<u>(68,066)</u>	<u>(127,415)</u>	<u>(59,349)</u>
Non-operating income (expense):			
Interest income	467	161	(306)
Miscellaneous	<u>12</u>	<u>12</u>	<u>-</u>
Total non-operating income (expense)	<u>479</u>	<u>173</u>	<u>(306)</u>
Change in net position	(67,587)	(127,242)	(59,655)
Beginning net position	<u>3,926,621</u>	<u>3,859,034</u>	<u>(67,587)</u>
Ending net position	<u>\$ 3,859,034</u>	<u>\$ 3,731,792</u>	<u>\$ (127,242)</u>

**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 net investment in capital assets amounts to \$21,986 with accumulated depreciation of \$19,940. Capital assets include a vehicle, office furniture and equipment.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
JUNE 30, 2014

**Table 3**  
**Capital Assets**

	<b>June 30, 2013</b>	<b>June 30, 2014</b>
Automobile	\$ 37,509	\$ 37,509
Office furniture and equipment	4,417	4,417
	41,926	41,926
Less accumulated depreciation	(5,215)	(19,940)
<b>Total capital assets, net</b>	<b>\$ 36,711</b>	<b>\$ 21,986</b>
	<b>June 30, 2013</b>	<b>June 30, 2014</b>
Non-depreciable property held for resale:		
Mt. Verd Industrial Park	\$ 1,335,534	\$ 1,335,533
Athens I-75 Industrial Park	1,767,107	1,815,969
North Etowah Industrial Park	457,154	457,154
	<b>\$ 3,559,795</b>	<b>\$ 3,608,656</b>

**Debt Administration**

At June 30, 2014, the Authority had an outstanding note payable to a bank in the amount of \$11,158. This note is secured by a vehicle with a net book value of \$21,986. The Authority currently has no plans to refinance or issue any new debt.

**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, 5 S. Hill Street, Suite C, Athens, TN 37303.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**STATEMENT OF NET POSITION**  
JUNE 30, 2014

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Current Assets:		
Cash and cash equivalents	\$ 147,613	
Prepaid insurance	3,957	
Accounts receivable	<u>3,205</u>	
Total Current Assets		\$ 154,775
Capital assets, net		21,986
Non-depreciable Property held for resale:		
Mt. Verd Industrial Park	1,335,533	
Athens I-75 Industrial Park	1,815,969	
North Etowah Industrial Park	<u>457,154</u>	
Total Non-depreciable Property Held for Resale		3,608,656
Deferred outflows of resources		<u>-</u>
Total assets		<u>3,785,417</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

Current Liabilities:		
Accounts payable	15,277	
Accrued retirement	15,090	
Note payable – current portion	<u>5,748</u>	
Total Current Liabilities		36,115
Long-Term Liabilities:		
Note payable - net of current portion		<u>5,410</u>
Total liabilities		<u>41,525</u>
Deferred inflows of resources:		
Funding received in advance		<u>12,100</u>
Net position:		
Net investment in capital assets		10,828
Unrestricted		45,752
Restricted		<u>3,675,212</u>
Total net position		<u>\$ 3,731,792</u>

See accompanying independent auditors' report and notes.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
JUNE 30, 2014

	<u>Total</u>
<b>OPERATING SUPPORT AND REVENUES:</b>	
Athens Utilities Board	\$ 153,286
City of Athens	111,449
City of Etowah	15,000
McMinn County	384,609
General membership	19,450
EDA Partners	22,500
Interest income	161
McMinn County Bond Board	20,000
Grants	25,402
Miscellaneous	<u>12</u>
Total operating support and revenues	<u>751,869</u>
<b>OPERATING EXPENSES:</b>	
Program services	815,493
Supporting services	<u>63,618</u>
Total operating expenses	<u>879,111</u>
Operating income (loss)	(127,242)
Net Position - Beginning of year	<u>3,859,034</u>
Net Position - End of year	<u>\$ 3,731,792</u>

See accompanying independent auditors' report and notes.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**STATEMENT OF CASH FLOWS**  
FOR THE YEAR JUNE 30, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from support and revenues	\$ 795,214
Interest income	161
Cash paid to vendors and suppliers	(749,401)
Payments to employees/benefits/taxes	<u>(126,339)</u>
Net Cash Used by Operating Activities	(80,365)
 <b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:</b>	
Principal payments on debt	(5,593)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Additions to non-depreciable property held for resale	<u>(48,862)</u>
Net Decrease in Cash and Cash Equivalents	(134,820)
Cash and Cash Equivalents at Beginning of Year	<u>282,433</u>
Cash and Cash Equivalents at End of Year	<u>\$ 147,613</u>
 <b>Reconciliation of Operating Income to Cash Provided by Operating Activities:</b>	
Operating income (loss)	\$ (127,242)
Depreciation	14,725
Changes in Assets and Liabilities:	
Receivables	43,507
Prepaid insurance	(1,822)
Accounts payable	(32,467)
Deferred revenue	11,850
Accrued liabilities	<u>11,084</u>
Cash Used by Operating Activities	<u>\$ (80,365)</u>

See accompanying independent auditors' report and notes.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of operations.** The primary objective of the McMinn County Economic Development Authority 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.

**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.

**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.

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.

**Deferred revenue (deferred inflows of resources).** 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.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising.** The Authority uses advertising to promote its programs and services among the audiences it serves. Advertising costs are expensed as incurred. During 2014, advertising costs totaled \$1,806.

**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, 2014. The Organization's Forms 990 *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2012, 2013 and 2014 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.

**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.

**Recently Issued and Adopted Accounting Pronouncements**

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable to that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Recently Issued and Adopted Accounting Pronouncements (Continued)**

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Financial Position was renamed to a Statement of Net Assets.

GASB Statement No. 64 clarifies the circumstances in which hedge accounting continues to be applied when a swap counterparty or a swap counterparty's credit support provider is replaced. The statement allows that when certain conditions exist, the hedging relationship and accounting continues to be applied.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves, conflicting guidance by removing the provision that limited fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66, decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modified guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

**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.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 2 – CASH**

At June 30, 2014, \$147,613 in cash consists of 2 checking accounts at two banks, insured for \$250,000 each.

**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.

**NOTE 4 – FURNISHINGS AND EQUIPMENT**

Furnishings and equipment at June 30 consists of the following:

Office furnishings		\$ 4,417
Auto		<u>37,509</u>
		41,926
Less: accumulated depreciation		<u>(19,940)</u>
		<u><u>\$ 21,986</u></u>

**NOTE 5 – LONG-TERM DEBT**

The Authority’s long-term debt consists of the following:

Payable to bank, monthly installments of \$499 with interest at 2.70%, secured by vehicle		<u>\$ 11,158</u>
---	--	------------------

Long-term debt matures in years ending June 30, as follows:

2015		\$ 5,748
2016		<u>5,410</u>
		<u><u>\$ 11,158</u></u>

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2014

**NOTE 6 – RETIREMENT PLANS**

Prior to the year ended 2014, The Authority offered a SIMPLE IRA retirement plan to all employees and a section 457(f) plan to highly compensated employees. Under the SIMPLE plan, employees made salary reduction contributions, not to exceed statutory limitations for any calendar year. The Authority matched employees' contributions up to 3% of their regular salary not to exceed statutory limitations. Under the 457(f) plan, the Authority contributed 7% of eligible compensation. Authority contributions to these plans for 2014 were \$7,986. The Authority has applied to be included in the Tennessee Consolidated Retirement Plan (TCRS) in fiscal year 2014 as a governmental joint venture. Actuarial study completed in April 2014. Employee contribution under the TCRS plan will be 5% of regular salary and a 7.96% Authority match.

**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 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, 2014, 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 76% of its annual budget from the County, City and the local utility. This funding could be cut or terminated at any time.

**NOTE 8 – 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 30 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, 2014.

**NOTE 9 – SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through November 19, 2014, which is the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**SCHEDULE OF EXPENSES**  
JUNE 30, 2014

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Advertising and promotion	\$ 1,806	\$ -	\$ 1,806
Audit and legal	-	8,203	8,203
Depreciation	-	14,725	14,725
Dues and subscriptions	5,191	-	5,191
Health/life/disability insurance	10,080	4,320	14,400
Industrial property expenditures:			
Insurance	633	-	633
Athens I-75 Industrial Park	15,402	-	15,402
Mt. Verd Industrial Park	89,223	-	89,223
North Etowah Industrial Park	74	-	74
Project Stopwatch	555,170	-	555,170
Local transportation	-	4,962	4,962
Miscellaneous	-	311	311
Office expenses	-	4,986	4,986
Payroll taxes	7,115	1,256	8,371
Postage	13	-	13
Printing	500	-	500
Retirement	6,788	1,198	7,986
Salaries	90,666	16,000	106,666
Salute to Industry Day	-	7,657	7,657
Telephone and internet	4,125	-	4,125
Business insurance	3,655	-	3,655
Website development/hosting	15,635	-	15,635
Travel and business development	<u>9,417</u>	<u>-</u>	<u>9,417</u>
 Total expenses	 <u>\$ 815,493</u>	 <u>\$ 63,618</u>	 <u>\$ 879,111</u>

See independent auditor's report and notes.

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*



Joe S. Ingram, CPA  
Lonas D. Overholt, CPA  
Robert L. Bean, CPA

Telephone  
865-984-1040  
Facsimile  
865-982-1665

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  
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, 2014, 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 19, 2014.

### **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.

*Ingram, Overholt & Bean, PC*

Alcoa, Tennessee

November 19, 2014