

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2015

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
TABLE OF CONTENTS
JUNE 30, 2015

	<u>PAGE</u>
INTRODUCTORY SECTION:	
List of Principal Officials	1
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' 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– 17
Independent Auditors' 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>	18 – 19

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

INTRODUCTORY SECTION

June 30, 2015

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015

Executive Director

Kathy B. Knight

Board of Officers

Stuart Sullins - President
Thom Johnson – Vice President
David Alley - Treasurer
Durant Tullock – Past President

Board Members

Funding Agencies Board Members

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

General Membership Board Members

Farah Reynolds
Porter Clark
Scott Moore
Joe Holbrook
Rhonda Whaley
Will Estes
Jason McConkey
Jim Wilson
Shane Sewell

Greenbelt Property Owner Board Member

Jerry Smith

Ex-officio Voting Members

Rob Preston
Stewart Smith
Harley Knowles

Ex-officio Non-voting Members

Matthew 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
Lois Preece, City of Niota

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

FINANCIAL SECTION

June 30, 2015



Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

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INDEPENDENT AUDITORS' 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, 2015, 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 business-type activities of the McMinn County Economic Development Authority, as of June 30, 2015, 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015 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 4, 2015

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. Please read it in conjunction with the Authority's financial statements, as listed in the Table of Contents

Authority net position increased by \$66,948 for the fiscal year reported.

Total net position is comprised of the following:

1. Net investment in capital assets of \$13,283 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 \$113,070 represents the portion available to maintain the Authority's continuing obligation to the McMinn County residents and creditors.
3. Restricted net position of \$3,680,912 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, 2015 and 2014 were \$262,547 and \$751,696, respectively.

Total expenses for the year ended June 30, 2015 and 2014 were \$196,717 and \$879,111, respectively.

Total liabilities of the Authority decreased from \$41,525 to \$15,269 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, 2015

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 increased by \$66,948 during the year ended June 30, 2015.

Table 1
Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Assets:			
Current and other assets	\$ 182,910	\$ 154,775	\$ 28,135
Capital assets	<u>3,633,050</u>	<u>3,630,642</u>	<u>2,408</u>
Total assets	<u>3,815,960</u>	<u>3,785,417</u>	<u>30,543</u>
Deferred outflows of resources	<u>6,574</u>	<u>-</u>	<u>6,574</u>
Liabilities:			
Long-term liabilities	-	5,411	(5,411)
Other liabilities	<u>13,519</u>	<u>36,114</u>	<u>(22,595)</u>
Total liabilities	<u>13,519</u>	<u>41,525</u>	<u>(28,006)</u>
Deferred inflows of resources:			
Funding received in advance	<u>1,750</u>	<u>12,100</u>	<u>(10,350)</u>
Net Position:			
Net investment in capital assets	13,283	10,828	2,455
Unrestricted	113,070	54,277	58,793
Restricted	<u>3,680,912</u>	<u>3,675,212</u>	<u>5,700</u>
Total net position	<u>\$ 3,807,265</u>	<u>\$ 3,740,317</u>	<u>\$ 66,948</u>

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015	June 30, 2014	Increase (Decrease)
Revenue:			
Operating revenue	\$ 262,547	\$ 751,696	\$ (489,149)
Expenses:			
Operating expenses	<u>196,717</u>	<u>879,111</u>	<u>(682,394)</u>
Operating income (loss)	<u>65,830</u>	<u>(127,415)</u>	<u>193,245</u>
Non-operating income (expense):			
Interest income	106	161	(55)
Miscellaneous	<u>1,012</u>	<u>12</u>	<u>1,000</u>
Total non-operating income (expense)	<u>1,118</u>	<u>173</u>	<u>945</u>
Change in net position	<u>66,948</u>	<u>(127,242)</u>	<u>194,190</u>
Beginning net position, as previously stated	3,731,792	3,859,034	(127,242)
Prior Period Adjustment (Note 10)	<u>8,525</u>	<u>-</u>	<u>8,525</u>
Beginning net position, as restated	<u>3,740,317</u>	<u>3,859,034</u>	<u>118,717</u>
Ending net position	<u>\$ 3,807,265</u>	<u>\$ 3,731,792</u>	<u>\$ 75,473</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 \$18,694 with accumulated depreciation of \$23,232. Capital assets include a vehicle, office furniture and equipment.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Table 3
Capital Assets

	June 30, 2015	June 30, 2014
Automobile	\$ 37,509	\$ 37,509
Office furniture and equipment	<u>4,417</u>	<u>4,417</u>
	41,926	41,926
Less accumulated depreciation	<u>(23,232)</u>	<u>(19,940)</u>
 Total capital assets, net	 <u>\$ 18,694</u>	 <u>\$ 21,986</u>
	 June 30, 2015	 June 30, 2014
Non-depreciable property held for resale:		
Mt. Verd Industrial Park	\$ 1,335,533	\$ 1,335,533
Athens I-75 Industrial Park	1,821,669	1,815,969
North Etowah Industrial Park	<u>457,154</u>	<u>457,154</u>
	<u>\$ 3,614,356</u>	<u>\$ 3,608,656</u>

Debt Administration

At June 30, 2015, the Authority had an outstanding note payable to a bank in the amount of \$5,411. This note is secured by a vehicle with a net book value of \$18,331. 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

BASIC FINANCIAL STATEMENTS

June 30, 2015

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:		
Cash and cash equivalents	\$ 179,821	
Prepaid insurance	<u>3,089</u>	
Total Current Assets		\$ 182,910
Capital assets, net		18,694
Non-depreciable Property held for resale:		
Mt. Verd Industrial Park	1,335,533	
Athens I-75 Industrial Park	1,821,669	
North Etowah Industrial Park	<u>457,154</u>	
Total Non-depreciable Property Held for Resale		3,614,356
Deferred outflows of resources – pension deferrals		<u>6,574</u>
Total assets		<u>3,822,534</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities:		
Accounts payable	275	
Due to employees	7,833	
Note payable – current portion	<u>5,411</u>	
Total Current Liabilities		<u>13,519</u>
Deferred inflows of resources:		
Funding received in advance		<u>1,750</u>
Net position:		
Net investment in capital assets		13,283
Unrestricted		113,070
Restricted		<u>3,680,912</u>
Total net position		<u>\$ 3,807,265</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, 2015

OPERATING SUPPORT AND REVENUES:

Athens Utilities Board	\$ 61,000
City of Athens	35,000
City of Etowah	25,000
McMinn County	65,000
General membership	20,733
EDA Partners	26,000
McMinn County Bond Board	20,000
Grants: TN Three Star	9,814
Denso	1,000
Tennessee Valley Authority	1,000
Total Operating Support and Revenues	264,547

OPERATING EXPENSES:

Salaries	110,894
Payroll taxes/fringe benefits	22,123
Business insurance	3,329
Office supplies and printing	5,698
Marketing	3,854
Website Development/hosting	2,298
Dues and subscriptions	3,842
Telephone and internet	2,734
Professional fees	9,268
Insurance – Industrial Parks	1,738
Salute to Industry Day	1,681
Meetings	2,374
Three Star	9,814
Travel and business development	12,274
Local travel	3,176
Depreciation	3,292
Miscellaneous	328
Total Operating Expenses	198,717

Operating Income before Non-operating Revenue (Expense)	65,830
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NON-OPERATING REVENUE (EXPENSE)

Interest earned	106
Miscellaneous	1,012
Total Non-Operating Revenue (Expense)	1,118

Change in Net Position	66,948
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Net Position - Beginning of year, as previously stated	3,731,792
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Prior Period Adjustment (Note 10)	8,525
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Net Position - Beginning of year, as restated	3,740,317
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Net Position – End of year	\$ 3,807,265
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See accompanying independent auditors' report and notes.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from support and revenues	\$ 262,547
Cash paid to vendors and suppliers	(87,099)
Payments to employees/benefits/taxes	<u>(133,017)</u>
Net Cash Flows Used by Operating Activities	42,431
 CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:	
Principal payments on debt	<u>(5,641)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to non-depreciable property held for resale	(5,700)
Miscellaneous	1,012
Interest income	<u>106</u>
Net Cash Flows Used by Investing Activities	<u>(4,582)</u>
Net Increase in Cash and Cash Equivalents	32,208
Cash and Cash Equivalents at Beginning of Year	<u>147,613</u>
Cash and Cash Equivalents at End of Year	<u>\$ 179,821</u>
 Reconciliation of Operating Income to Cash Provided by	
Operating Activities:	
Operating income (loss)	\$ 65,830
Depreciation	3,292
Changes in Assets and Liabilities:	
Receivables	3,205
Prepaid insurance	868
Accounts payable	(13,840)
Deferred revenue	(10,350)
Deferred outflows	<u>(6,574)</u>
Cash Used by Operating Activities	<u>\$ 42,431</u>

See accompanying independent auditors' report and notes.

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 funding agencies of the entity
- 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 Director each from the cities of Calhoun, Englewood, and Niota
- 6) Four ex-officio non-voting Directors – City Manager of Athens and Etowah, and the State Senator and Representative who represent McMinn County
- 7) One ex-officio voting Director owning property in Green Belt Status
- 8) Two ex-officio voting Directors from school systems in Athens and Etowah

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)

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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.

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, 2015. 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.

(Continued)

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

Recently Issued and Adopted Accounting Pronouncements. In June 2012 the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the fiscal year beginning July 1, 2014. This statement revises existing standards for measuring and reporting pension liabilities for pensions provided by the Authority to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The Authority implemented this standard effective July 1, 2014.

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)

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 – CASH

At June 30, 2015, \$179,821 in cash consists of two 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:

	<u>Balance</u> <u>7-1-14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-15</u>
Office furnishings	\$ 4,417	\$ -	\$ -	\$ 4,417
Auto	<u>37,509</u>	-	-	<u>37,509</u>
	41,926	-	-	41,926
Less: accumulated depreciation	<u>(19,940)</u>	<u>3,292</u>	-	<u>(23,232)</u>
	<u>\$ 21,986</u>	<u>\$ 3,292</u>	<u>-</u>	<u>\$ 18,694</u>

Depreciation expense was \$3,292 for the year ended June 30, 2015.

NOTE 5 – LONG-TERM DEBT

The Authority's debt consists of the following:

Payable to bank, monthly installments of \$499	
With interest at 2.70%, secured by vehicle	<u>\$ 5,411</u>

Long-term debt summary:

<u>Balance</u> <u>7-1-14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-15</u>
<u>\$ 11,158</u>	<u>\$ -</u>	<u>\$ (5,747)</u>	<u>\$ 5,411</u>

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

	<u>Principal</u>	<u>Interest</u>
2016	<u>\$ 5,411</u>	<u>\$ 301</u>

(Continued)

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
 (A Nonprofit Organization)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 6 – 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 Authority in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided:

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

Employees Covered by Benefit Terms:

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

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

(Continued)

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – GENERAL INFORMATION ABOUT THE PENSION PLAN (Continued)

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, 2015, employer contributions for the Authority were \$6,574 based on a rate of 7% 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 plan participation did not commence until October 2014, and therefore, the Authority did not receive an actuarial evaluation. As of June 30, 2015, there is no Net Pension Liability (Asset) to record since the TCRS Actuarial was performed as of June 30, 2014, prior to the Authority's entry. Additionally, no required supplementary information is available for presentation.

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

Pension Expense:

For the year ended June 30, 2015, McMinn County Economic Development Authority Council recognized pension expense of \$6,574.

Deferred Outflows of Resources and Deferred Inflows of Resources:

For the year ended June 30, 2015, McMinn County Economic Development Authority reported deferred outflows of resources in the amount of \$6,574.

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, 2015, 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 McMinn County, Cities of Athens and Etowah, and the local Athens utility. This funding could be cut or terminated at any time.

(Continued)

MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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 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, 2015.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

In the prior year, the Authority was incorrectly expensing the employer match of the retirement plan by \$8,525 before the plan was executed, therefore, overstating expenses.

NOTE 11 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 4, 2015, which is the date on which the financial statements were issued.

McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY

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

June 30, 2015



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INDEPENDENT AUDITORS' 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, 2015, 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 4, 2015.

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 4, 2015