

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
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JUNE 30, 2016

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**McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**INTRODUCTORY SECTION**

June 30, 2016

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

(A Nonprofit Organization)

**LIST OF PRINCIPAL OFFICIALS**

JUNE 30, 2016

**Executive Director**

Kathy Price

**Board of Officers**

Thom Johnson – President

David Alley – Vice President

Will Estes – Treasurer

Stuart Sullins – 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

John Goins, Etowah Utilities Board

**General Membership Board Members**

Farah Reynolds

Porter Clark

Scott Moore

Jason Housley

Rhonda Whaley

Scott Cass

Jason McConkey

Jim Wilson

Shane Sewell

**Greenbelt Property Owner Board Member**

Jerry Smith

**Ex-officio Voting Members**

Rob Preston

Stewart Smith

Harley Knowles

Durant Tullock

**Ex-officio Non-voting Members**

Vacant, City of Etowah

Mitchell Moore, City of Athens

Mike Bell, State Senator

John Forgety, State Representative

Joe Cline, City of Englewood

Lois Preece, City of Niota

Rhonda Whaley, Daily Post - Athenian

**McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**FINANCIAL SECTION**

June 30, 2016



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

428 Marilyn Lane  
Alcoa, Tennessee 37701

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

## 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, 2016, 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, 2016, 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 21 – 23 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 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 October 18, 2016 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

October 18, 2016

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

**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, 2016. Please read it in conjunction with the Authority's financial statements, as listed in the Table of Contents

Authority net position increased by \$44,737 for the fiscal year reported.

Total net position is comprised of the following:

1. Investment in capital assets of \$16,674 includes property and equipment, net of accumulated depreciation.
2. Unrestricted net position of \$154,416 represents the portion available to maintain the Authority's continuing obligation to the McMinn County residents.
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 operating revenues for the year ended June 30, 2016 and 2015 were \$256,425 and \$262,559, respectively.

Total operating expenses for the year ended June 30, 2016 and 2015 were \$211,707 and \$198,717, respectively.

Total liabilities of the Authority increased from \$15,269 to \$26,525 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, 2016

**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 \$44,737 during the year ended June 30, 2016.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>
<b>Assets:</b>			
Current and other assets	\$ 210,425	\$ 182,910	\$ 27,515
Capital assets and non-depreciable property held for resale	<u>3,631,030</u>	<u>3,633,050</u>	<u>(2,020)</u>
Total assets	<u>3,841,455</u>	<u>3,815,960</u>	<u>25,495</u>
Deferred outflows of resources	<u>37,072</u>	<u>6,574</u>	<u>30,498</u>
<b>Liabilities:</b>			
Other liabilities	<u>26,525</u>	<u>13,519</u>	<u>13,006</u>
Deferred inflows of resources	<u>-</u>	<u>1,750</u>	<u>(1,750)</u>
<b>Net Position:</b>			
Net investment in capital assets	16,674	13,283	3,391
Unrestricted	154,416	113,070	41,346
Restricted	<u>3,680,912</u>	<u>3,680,912</u>	<u>-</u>
Total net position	<u>\$ 3,852,002</u>	<u>\$ 3,807,265</u>	<u>\$ 44,737</u>

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
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**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

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**

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>Increase</u> <u>(Decrease)</u>
Revenue:			
Operating revenue	\$ 256,425	\$ 262,559	\$ (6,134)
Expenses:			
Operating expenses	<u>211,707</u>	<u>196,717</u>	<u>14,990</u>
Operating income (loss)	<u>44,718</u>	<u>66,842</u>	<u>(21,124)</u>
Non-operating income (expense):			
Interest income	<u>19</u>	<u>106</u>	<u>(87)</u>
Total non-operating income (expense)	<u>19</u>	<u>106</u>	<u>(87)</u>
Change in net position	<u>44,737</u>	<u>66,948</u>	<u>(22,211)</u>
Beginning net position, as previously stated	3,807,265	3,731,792	75,473
Prior Period Adjustment – Employer Pension match	<u>-</u>	<u>8,525</u>	<u>(8,525)</u>
Beginning net position, as restated	<u>3,807,265</u>	<u>3,740,317</u>	<u>66,948</u>
Ending net position	<u>\$ 3,852,002</u>	<u>\$ 3,807,265</u>	<u>\$ 44,737</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 total investment in capital assets amounts to \$41,926 with accumulated depreciation of \$25,252, for a net investment of \$16,674. Capital assets include a vehicle, office furniture and equipment.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

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

	<b>June 30, <u>2016</u></b>	<b>June 30, <u>2015</u></b>
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>(25,252)</u>	<u>(23,232)</u>
 Total capital assets, net	 <u>\$ 16,674</u>	 <u>\$ 18,694</u>
	 <b>June 30, <u>2016</u></b>	 <b>June 30, <u>2015</u></b>
Non-depreciable property held for resale:		
Mt. Verd Industrial Park	\$ 1,335,533	\$ 1,335,533
Athens I-75 Industrial Park	1,821,669	1,821,669
North Etowah Industrial Park	<u>457,154</u>	<u>457,154</u>
	<u>\$ 3,614,356</u>	<u>\$ 3,614,356</u>

**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, 2016

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**STATEMENT OF NET POSITION**  
JUNE 30, 2016

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Current Assets:		
Cash and cash equivalents	\$ 199,756	
Accounts receivable	7,425	
Prepaid insurance	<u>3,244</u>	
Total Current Assets		\$ 210,425
Capital assets, net		16,674
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		<u>3,614,356</u>
Total assets		<u>3,841,455</u>
Deferred outflows of resources – Pension deferrals		<u>37,072</u>

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

Current Liabilities:		
Accounts payable	272	
Due to employees	197	
Pension contributions payable	1,250	
Net pension liability	<u>24,806</u>	
Total Current Liabilities		<u>26,525</u>
Deferred inflows of resources		<u>-</u>
Net Position:		
Investment in capital assets		16,674
Unrestricted		154,416
Restricted		<u>3,680,912</u>
Total Net Position		<u>\$ 3,852,002</u>

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, 2016**

**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	23,150
EDA Partners	24,500
Grants: TN Three Star	7,417
Tennessee Valley Authority	11,000
Miscellaneous	<u>4,358</u>
Total Operating Support and Revenues	<u>256,425</u>

**OPERATING EXPENSES:**

Communications	3,205
Salaries	115,934
Payroll taxes/fringe benefits	18,200
Business insurance	3,975
Office supplies and printing	4,650
Marketing	3,550
Retirement	9,132
Dues and subscriptions	3,404
Telephone and internet	3,003
Professional fees	8,621
Insurance – Industrial Parks	6,159
Salute to Industry Day	5,515
Meetings	2,253
Three Star	6,950
Travel and business development	10,005
Local travel	4,133
Depreciation	2,020
Miscellaneous	<u>998</u>
Total Operating Expenses	<u>211,707</u>

Operating Income 44,718

**NON-OPERATING REVENUE (EXPENSE)**

Interest earned	<u>19</u>
Change in Net Position	<u>44,737</u>
Net Position - Beginning of year	<u>3,807,265</u>
Net Position – End of year	<u>\$ 3,852,002</u>

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, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from support and revenues	\$ 252,174
Cash paid to vendors and suppliers	(91,273)
Payments to employees/benefits/taxes	<u>(135,574)</u>
Net Cash Flows Provided by Operating Activities	25,327
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:</b>	
Principal payments on debt	<u>(5,411)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	<u>19</u>
Net Cash Flows Provided by Investing Activities	<u>19</u>
Net Increase in Cash and Cash Equivalents	19,935
Cash and Cash Equivalents at Beginning of Year	<u>179,821</u>
Cash and Cash Equivalents at End of Year	<u>\$ 199,756</u>
<b>Reconciliation of Operating Income to Cash Provided by</b>	
<b>Operating Activities:</b>	
Operating income	\$ 44,718
Depreciation	2,020
<b>Changes in Assets and Liabilities:</b>	
Receivables	(7,425)
Prepaid insurance	(155)
Accounts payable	(6,389)
Deferred outflows/inflows	<u>(7,442)</u>
Cash Provided by Operating Activities	<u>\$ 25,327</u>

See accompanying independent auditors' report and notes.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

**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, 2016

**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, 2016. 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**  
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**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

**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, 2016

**NOTE 2 – CASH**

At June 30, 2016, \$199,756 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:

	Balance <u>7-1-15</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6-30-16</u>
Office furnishings	\$ 4,417	\$ -	\$ -	\$ 4,417
Auto	<u>37,509</u>	<u>-</u>	<u>-</u>	<u>37,509</u>
	41,926	-	-	41,926
Less: accumulated depreciation	<u>(23,232)</u>	<u>(2,020)</u>	<u>-</u>	<u>(25,252)</u>
	<u>\$ 18,694</u>	<u>\$ (2,020)</u>	<u>\$ -</u>	<u>\$ 16,674</u>

Depreciation expense was \$2,020 for the year ended June 30, 2016.

**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 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](http://www.treasury.tn.gov/tcrs).

(Continued)

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
 (A Nonprofit Organization)  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

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

*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 2<sup>nd</sup> 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, 2016, 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>2</u>

*Contributions:*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. 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, 2016, employer contributions for the Authority were \$6,574 based on a rate of 7.93% 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.

(Continued)

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

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

**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, 2016, 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, 2016, McMinn County Economic Development Authority Council recognized pension expense of \$9,132.

*Deferred Outflows of Resources and Deferred Inflows of Resources:*

For the year ended June 30, 2016, McMinn County Economic Development Authority reported deferred outflows of resources in the amount of \$6,574.

**Net Pension Liability (ASSET)**

The Authority’s net pension liability (asset) was measured as of June 30, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

(Continued)

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

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

*Actuarial assumptions:* (Continued)

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

*Discount rate:*

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

(Continued)

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

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

**Changes in the Net Pension Liability (Asset)**

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
<b>Balance at June 30, 2014</b>	\$ -	\$ -	\$ -
<b>Changes for the year:</b>			
Service cost	10,825	-	10,825
Interest	812	-	812
Differences between expected and actual experience	23,966	-	23,966
Contributions – employer/employees	-	10,825	(10,825)
Net investment income	-	74	(74)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(102)	102
<b>Net Changes</b>	<u>35,603</u>	<u>10,797</u>	<u>24,806</u>
<b>Balance at June 30, 2015</b>	<u>\$ 35,603</u>	<u>\$ 10,797</u>	<u>\$ 24,806</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate:*

The following presents the net pension liability (asset) of the Authority calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
The Authority's net pension liability (asset)	\$ 31,540	\$ 24,806	\$ 19,385

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

*Pension expense:*

For the year ended June 30, 2016, McMinn County Economic Development Authority recognized negative pension expense of \$13,400.

(Continued)

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

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

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

*Deferred outflows of resources and deferred inflows of resources:*

For the year ended June 30, 2016, The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,969	\$ -
Net difference between projected and actual earnings on pension plan investments	262	-
Contributions subsequent to the measurement date of June 30, 2015	<u>14,841</u>	<u>-</u>
Total	<u>\$ 37,072</u>	<u>\$ -</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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,		
2017	\$	2,063
2018		2,063
2019		2,063
2020		2,063
2021		1,997
Thereafter		11,982

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

**Payable to the Pension Plan**

At June 30, 2016, The McMinn County Economic Development Authority reported a payable of \$1,250 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

(Continued)



**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
(A Nonprofit Organization)  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

**NOTE 6 - 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, 2016, 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 7 – 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 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 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, 2016.

**NOTE 9 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 19, 2016, which is the date on which the financial statements were issued.

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
McMinn County, Tennessee

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2016

**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,

	<u>2015</u>
<b>Total pension liability (asset)</b>	
Service cost	\$ 10,825
Interest	812
Changes in benefit terms	-
Differences between actual & expected experience	23,966
Change of assumptions	-
Benefit payments, including refunds of employee contributions	-
<b>Net change in total pension liability</b>	<u>35,603</u>
<b>Total pension liability-beginning</b>	<u>-</u>
<b>Total pension liability-ending (a)</b>	<u><u>\$ 35,603</u></u>
 <b>Plan fiduciary net position</b>	
Contributions – employer	\$ 10,825
Contributions – employee	-
Net investment income	74
Benefit payments, including refunds of employee contributions	-
Administrative expense	(102)
Other	-
<b>Net change in plan fiduciary net position</b>	<u>10,797</u>
<b>Plan fiduciary net position – beginning</b>	<u>-</u>
<b>Plan fiduciary net position – ending (b)</b>	<u><u>\$ 10,797</u></u>
 <b>Net Pension Liability (asset)-ending (a) – (b)</b>	<u><u>\$ 24,806</u></u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	30.33%
 <b>Covered-employee payroll</b>	\$ 83,723
 <b>Net Pension liability (asset) as a percentage of covered-employee payroll</b>	29.63%

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

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE  
PUBLIC EMPLOYEE PENSION PLAN OF TCRS  
Past Fiscal Year Ended June 30,**

	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 10,825	\$ 14,841
Contributions in relation to the actuarially determined contribution	<u>(10,825)</u>	<u>(14,841)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 83,723	\$ 114,780
Contributions as a percentage covered - employee payroll	12.93%	12.93%

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

**MCMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES  
PRESENTED ON PAGES 21-22  
For the Fiscal Year Ended June 30, 2016**

*Valuation date:*

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	0 years
Asset valuation	10-year smoothed with a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

**McMINN COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

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

June 30, 2016



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 AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLAINTS 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, 2016, 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 October 18, 2016.

### **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

October 18, 2016