

Sunset Public Hearing Questions for
Tennessee Central Economic Authority
Created by Section 64-5-201, *Tennessee Code Annotated*
(Sunset Termination June 2018)

1. Provide a brief introduction to the Tennessee Central Economic Authority, including information about its purpose, statutory duties, staff and administrative attachment.

On April 15, 1986, the Tennessee State Legislators created the Four Lake Regional Industrial Development Authority with the passing of a public act. The Four Lake Authority was created and established for the purpose of developing the resources of the region (Macon, Smith, Sumner, Trousdale, and Wilson counties) impacted by the halted construction of TVA's world's largest nuclear power plant in Hartsville, TN. This eliminated almost 8,000 construction jobs, hundreds of direct jobs with the plant, and devastated the region as thousands of indirect jobs were lost. This debacle eliminated almost two thousand acres from any type production, as well as from local tax revenues crossing two counties. The Authority is directed to coordinate with local, regional, state, and federal planning agencies for economic development and the improvement of employment opportunities in the five-county region.

The Legislators changed the Authority's name to the Tennessee Central Economic Authority to better reflect its regional responsibility. The Authority's staff includes a new President/CEO (5 years), a Vice President (3 years), and an Executive Administrative Assistant (1 year). The administrative attachment for the Authority is with the TN Department of Economic & Community Development.

2. Provide a list of the current members of the board of directors and describe how membership complies with Section 64-5-203(a), *Tennessee Code Annotated*. Are there any vacancies on the board? What is being done to fill the vacancies?

A change to Four Lake's Enabling Legislation became effective July 1, 2012 to reduce the size of the Board of Directors from twenty-one (21) to seven (7).

The new Board is comprised of the five regional County Mayors/Executive, or their appointee; one member appointed by the Speaker of the Senate; and one member appointed by the Speaker of the House. Both the appointed members serve for two-year terms and must reside within Tennessee Central's region. This action has created an efficient and focused Board for the region. The current seven members serving on the Tennessee Central Economic Authority Board of Directors are:

Chairman – Carroll Carman, Trousdale County Mayor
Vice Chairman – Steve Jones, Macon County Mayor
Secretary/Treasurer – Randall Hutto, Wilson County Mayor
Anthony Holt, Sumner County Executive
Michael Nesbitt, Smith County Mayor
Mae Perry, Senate Appointee
Philip Holder, House Appointee

There are no vacancies on the TCEA Board.

- How many times did the board meet in fiscal years 2016 and 2017, and how many members were present at each meeting?

FY 2016/2017	Members Present
07/26/16 (Annual Mtg)	7 of 7
09/27/16 (Spec-Called Mtg)	5 of 7
10/20/16 (Qtrly Board Mtg)	4 of 7
12/09/16 (Qtrly Board Mtg)	5 of 7
02/01/17 (Spec-Called Mtg)	6 of 7
04/18/17 (Qtrly Board Mtg)	7 of 7

FY 2015/2016	Members Present
07/10/15 (Annual Mtg)	6 of 7
08/04/15 (Spec-Called Mtg)	5 of 7
10/20/15 (Qtrly Board Mtg)	7 of 7
12/11/15 (Qtrly Board Mtg)	6 of 7
04/11/16 (Qtrly Board Mtg)	7 of 7

- Has the board established an advisory committee as authorized by Section 64-5-203(c), *Tennessee Code Annotated*? If so, who serves on the committee, how were the members selected, and how long does each member serve?

The Board has not chosen to officially appoint an Advisory Committee. Instead, the Board has utilized an “unofficial” group of professionals made up of representatives from ECD, TVA, GNRC, MTIDA, UCDD and USDA. Representatives from these organizations have regularly attended Board meetings for many years, offering invaluable advice, assistance, mentoring, & expertise. These representatives routinely visit Tennessee Central’s office and industrial properties to help maintain best business practices and assist with economic development.

Also, the President and staff work with each county’s and/or city’s economic development offices, as well as the counties Joint Economic Community Development Boards and/or their Industrial Development Boards. All are invited to the Authority’s quarterly meetings and any special-called meetings as needed, whether scheduled at Tennessee Central’s office or within the region’s communities.

5. What per diem or travel reimbursements do members of the board and the advisory committee receive? How much was paid to board and committee members in fiscal years 2016 and 2017?

There has not been any compensation disbursed. There has not been any requested travel or expense reimbursement for meetings for any Board member.

6. What were the authority's revenues and expenditures for fiscal years 2016 and 2017?

See page 9 of the FY 2015/2016 Annual Report and page 9 of the FY 2016/2017 Annual Report located in Attachment #1 and #2

7. Section 64-5-203(e), *Tennessee Code Annotated*, makes the board subject to the Sunshine law requirements (Section 8-44-101 et seq., *Tennessee Code Annotated*) for public notice of meetings, prompt and full recording of minutes and public access to minutes. What procedures does the board have for informing the public of its meetings, who keeps the official minutes of board meetings and what steps are taken to make the minutes available to the public?

All meetings are posted at each of the five counties' courthouses at least one week prior to the meeting. Public notice is also posted on the Tennessee Central Economic Authority website (www.tennesseecentral.org). Minutes are recorded before the next scheduled meeting by the Tennessee Central Authority's staff, at which time they are reviewed and approved by the Board. The approved Minutes are available to the public at the Tennessee Central office upon request

8. What were the major accomplishments of the authority in fiscal years 2016 and 2017?

Regional Achievement

- Purchase and development of an existing building in the Hartsville Industrial Park has facilitated the creation of 22 industrial jobs in the commercial and industrial stainless steel tank industry.
- Facilitated a job fair in Smith County December 2015 with the closure of the zinc mine that employed over 400 people.
- Provided grants to Trousdale, Smith and Wilson for industrial development that totaled \$197,596.83.
- Submitted 7 TVA InvestPrep grant applications for projects across the region and received 4 site visits.
- Applied for and received 5 grants for industrial property development projects for a total of \$592,500 from ECD and TVA.

- The State Legislators approved changing the Authority's name to Tennessee Central Economic Authority to reflect the geographic region and enhance marketing to international clients.
- 26 responses to "Requests for Proposals" or "Requests for Information" to the Department of ECD and Tennessee Valley Authority on behalf of 3 rural counties
- Hosted ECD Commissioner Boyd with a tour of Macon, Smith, and Trousdale Counties and meetings with the County Mayors.
- Assisted Smith and Sumner Counties prepare for and host ECD Property Evaluation Program site visits.
- (64-5-208[11]) In cooperation with Middle TN Industrial Development Association, Tennessee Central continues to assist with updating and distributing "Community Data Profile's" for 12 communities in the region.
- (64-5-208[8]) Tennessee Central provided the North Central Planning Region (comprised of Macon, Smith, and Trousdale Counties) with coordinating/liaison support as they completed and submitted their 16th & 17th Annual Progress Reports to the State, with technical assistance from GNRC, UCDD, and TN Dept. of Environment & Conservation, as directed under the 1991 Solid Waste Management Act. Tennessee Central also provides (at no cost) 32,000 s.f. in building space to help with recycling.

PCIC

- ARC Automotive, Inc. broke ground in PowerCom Industrial Center and named a plant manager with expected job total to reach 66 positions.
- Two industrial sites were developed with grant funds (20 acres & 10 acres) including the removal and recycling of unusable concrete structures and unviable forty-year-old metal buildings.
- The Trousdale Turner Correction Center was opened by CoreCivic to operate a 2500 bed facility with 410 new jobs being created.
- Assisted with the installation and financing for V&C/Christy to expand their manufacturing space by 12,000SF and add a sprinkler system for fire protection.
- Master Plan for PowerCom was completed by BWSC Engineering firm and has been initiated with the site development and SIA road construction.
- Initiated \$2,040,275.79 of engineering and construction with TDOT not including the donation of the ROW for SIA road development into PowerCom.
- Completed a Port Feasibility Study including a structural assessment of the existing concrete dock facility by Hanson Engineering for barge access on the Cumberland River (mile 284.1). The conclusion was positive for port development based on the existing facility capabilities and marketing conditions.

9. Does the board have any policies in place to address potential conflicts of interest by board members, authority employees, or other state employees who work with the authority in any capacity? If yes, please describe.

An Ethics Policy was adopted by the Four Lake Executive Committee on 10/15/10 (See Attachment #3 & #4).

10. Section 64-5-209, *Tennessee Code Annotated*, authorizes the authority to “construct and/or operate and maintain any public works project within the region” subject to prior authorization from the county or municipality within whose jurisdiction the project is located. Have any such projects been constructed? If yes, please describe.

An off-site 750,000-gallon water tank with its 18” lines serving the PowerCom site were constructed by Tennessee Central and then dedicated to Hartsville/ Trousdale County Water & Sewer Dept. for operation and maintenance. Within the PowerCom Industrial Center, utility construction/upgrade projects (including electrical, water, sewer, gas, and fiber optics) are on-going. Following construction/ extension of utilities, the maintenance & operation of such utilities is dedicated to the utility provider. Roads within the park, however, are maintained – with the assistance of the Trousdale County Highway Dept. – by the Authority. The new SIA road under construction will be dedicated to Trousdale County once completed and approved by the Trousdale County Highway Department.

11. In section 64-5-211(a), *Tennessee Code Annotated*, the authority is authorized to issue bonds. Has the authority issued bonds under this statutory provision? If yes, please describe the type, amount, and purpose of the issuance.

None have been issued within the last five years.

12. Has the board prepared and transmitted an annual statement of objectives as required by Section 64-5-213(a), *Tennessee Code Annotated*? Please attach copies of the fiscal year 2016 and 2017 statements.

Yes – See page 13 of the FY 2015/2016 Annual Report and page 13 of the FY 2016/2017 Annual Report located in Attachment #1 & #2

13. Section 64-5-213(b), *Tennessee Code Annotated*, requires the board to report annually to the governor, commissioner of economic and community development, the state funding board, and to the general assembly through the office of legislative budget analysis and the chairs of the following standing committees: senate finance, ways and means, senate government operations, senate state and local government, house finance, ways and means, house government operations, and state government of the house of representatives. Has the board complied with this provision? If so, please attach copies of the last two annual reports.

Annual Reports are distributed to all attendants/guests at the Annual Board of Directors Meeting each year. Board members representing the Governor, ECD, State House & Senate, and US Congress receive the report at the meeting. Tennessee Central Economic Authority also reports yearly to the State Funding Board; Annual Reports are submitted to the Funding Board at that time. See Attachment #1 for the FY 2015/2016 & 2016/2017 Annual Reports.

14. Section 64-5-213(d), *Tennessee Code Annotated*, requires an annual audit of the financial records of the authority. Please attach copies of the last two audit reports.

See Attachment #5 & #6

15. Please describe any items related to the authority that require legislative attention and your proposed legislative changes.

The Tennessee Central Economic Authority has received Impact Funds (Payment In-Lieu-of-Tax) from TVA for several years. These funds have provided most of the infrastructure presently in the PowerCom Industrial Center. The funds are also used to support the Tennessee Central Grant Program to the five counties in our region. The Impact Funds must be renewed by FY 2018/2019 to protect the investments for the region and to maintain the PowerCom Industrial Center. The Tennessee Central Board of Directors will meet soon to discuss this issue with our legislative representatives. Tennessee Central is represented by six house representatives and two senators. All of our legislators have met with staff and the Board as well as toured the industrial properties and projects.

16. Should the authority be continued? To what extent and in what ways would the absence of the authority endanger the public health, safety, or welfare of the citizens of Tennessee?

Yes. The Authority has invested over \$11,000,000 toward the improvement of regional industrial development and economic conditions in the five-county region. These improvements have provided the foundation for job creation of over 534 positions, increased local property tax over \$1.5 million, increased family income, and enhanced the quality of life. The absence of the Tennessee Central Economic Authority would halt the improvement of PowerCom Industrial Center. The park directly serves three rural counties and has the potential to house at least 1,755,000 square feet of potential industrial space, based on the park's master plan. TCEA also serves as the primary economic development organization for three rural counties and its dissolution would leave these three counties without an organization to facilitate economic development and represent them with the Department of ECD for job creation. The grant program that the Authority has established for the counties in the region would also be eliminated.

17. Please list all programs or activities that receive federal financial assistance. Include the amount of federal funding received by program/activity.

A water/sewer and gas infrastructure improvement project for the PowerCom Industrial Center was funded by a USDA/Rural Development Loan in 2004 for \$2,015,000, payable over 20 years @ 4.125% (\$149,916/year). This has been paid in full and positions Tennessee Central for new funding to develop the additional infrastructure or industrial projects.

18. Please list all contracts and include information about the services provided and the amount of the contract.

- Fiber Optic Project - Grant from the State of Tennessee, Department of Economic and Community Development. The grant is in the amount of \$419,900 and will provide high speed fiber optics from Hartsville, TN to the PowerCom Industrial Center and continue to Hwy 10 joining with fiber optics in Lafayette. The contract was awarded to Tri-County Electric Coop, Lafayette, Tennessee. They are a public utility authorized to install this type of fiber optics.
- State Industrial Access Road with Tennessee Department of Transportation to improve and develop approximately 1.02 miles of road to serve the ARC Automotive and CoreCivic In PowerCom Industrial Center. Approximate cost is over \$2,200,000.00 with Tennessee Central providing \$600,000.00 if funds and engineering cost.
- A twenty-acre site development to remove concrete docks and develop a building site in PowerCom Industrial Center which was recycled or re-purposed. The site was then graded and prepared for a building pad. Cost was approximately \$435,000.00.

- A gravity sewer line and drainage improvements for Village One of PowerCom Industrial Center was awarded and completed by the Kemp Brothers Construction, plus providing a stone pad for the twenty-acre site for a total of \$166,325.00
- PowerCom Industrial Master Plan with River Port area development was provided by Barge Waggoner Sumner & Cannon, Inc. and Hanson Professional Services, Inc. which define over 1,755,000 square feet of development and feasibility to open and operate a river port on the Cumberland River. Combined cost estimated at \$55,000.00.

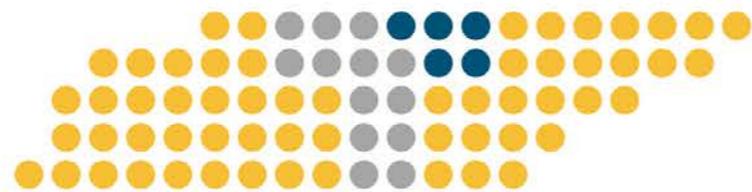
19. Please provide a list of current staff by name and job title.

Charly Lyons, President/CEO

Jessica Farlow, Vice President

Kelsey Dansby, Executive Administrative Assistant

THE POWER OF FIVE



TENNESSEE CENTRAL
ECONOMIC AUTHORITY

2016 ANNUAL
2017 REPORT

YEAR OF ENTERPRISE

The Tennessee Central Economic Authority has completed a “year of enterprise” under a new banner and we have established ourselves as an evolving regional partner with the State of Tennessee’s Department of ECD, TVA, and MTIDA as a team striving to improve. This is the results of positive involvement from our elected officials, the Board, the staff, and communities in building a firm foundation to support new jobs and a willingness to fine tune the process for new development.



As you review the 2016/2017 Annual Report, you continually see partnerships working to strengthen Tennessee Central and encouraging us as we seek higher expectations. Our development districts, UCDD & GNRC, are always seeking ways to enhance their ability to serve our region, along with TCAT; SBDC; USDA; TDOT and others.

Our vision as a regional organization is to increase industrial product, enhance our workforce, and strengthen our partnerships. We will keep our focus on these goals with a sense of urgency and a desire for excellence as we work to provide economic development to all five counties.

It is an honor to represent the Tennessee Central Economic Authority and we truly appreciate your trust, leadership, and your resolve to enhance our citizens today and enrich their children for the future.

May God Bless and with my sincere appreciation.

Charly Lyons

THOUGHTS FROM THE STAFF

Tennessee Central had a changing of the guard in administration with Teresa Carman retiring after twenty-six years of excellent service. Kelsey Dansby came on board to learn all the numerous tasks and has become essential to our success moving forward. In the past five years, every position on the staff has evolved. The Board has been prominent as mentors and very supportive as we venture into being a stronger regional entity and undertaking new possibilities for the PowerCom Industrial Center.

The staff understands that our roles are dependent on the numerous partnerships. We know it's not just the actions of support, but the spirit and genuine attention to help Tennessee Central be successful. Thank you for your attentiveness and passion for the people living in the five counties that make up Tennessee Central.



Kelsey, Charly, Jessica

BOARD OF DIRECTORS



Chairman
Michael Nesbitt
Smith County Mayor



Vice-Chairman
Carroll Carman
Troupdale County Mayor



Secretary/Treasurer
Steve Jones
Macon County Mayor



Sumner County Representative
Anthony Holt
Sumner County Executive



Wilson County Representative
Randall Hutto
Wilson County Mayor



Senate Appointee
Mae Perry
President, TCAT-Hartsville



House Appointee
Philip Holder
Troupdale County



TCEA Attorney
Bob Rochelle



KEY EVENTS

- MTIDA Annual Meeting
- Annual SEDC Conference
- ECD & Legislative Lunch with Board & Staff
- Industry Appreciation Lunch
- GNRC Annual Meeting
- TEDC Spring & Fall Conferences
- Macon, Smith, Trousdale, Wilson, & Sumner Counties' JECDBs
- Forward Sumner Annual meeting
- Gallatin State of the City Address
- TEDC Day on the Hill
- GEAR Breakfast by Gallatin EDA
- Annual Governor's Conference
- SEDC YP Meet the Consultants Conference
- REDI Conference
- TVA Forum
- TCAT OSY Middle Tennessee (panel)
- ATVG Quarterly Meetings
- Coverings'17 (Global Tile & Stone Show)
- TEP Board Meetings
- TCAT Advisory Board
- Workforce 360
- Regional Planning Organization (TDOT)
- TSBDC Rising Star
- CEDS Advisory Council
- TCAT Reception (Audit Team)
- Trousdale County Chamber Board
- UT Institute (Knoxville)
- TEP Key Market Visit - Chicago
- TCHS Career Day
- Watertown Tour
- Select USA Conference
- TVA Workshops
- Macon, Smith, Trousdale, Wilson, & Sumner Counties' Chambers
- Governor Haslam's IMPROVE Act Meetings
- UCDD Annual Meeting
- Smith County Schools CTE Advisory Board



TCHS Career Day



Charly at ATVG Event



Christmas Luncheon



TCAT Reception



Governor's Conference



ECD Appreciation Lunch



Teresa Carman's Retirement Party

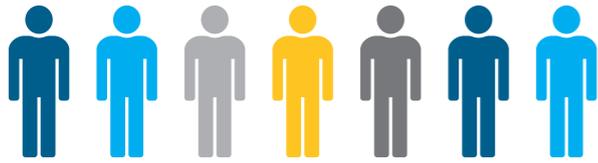
Teresa Carman and Kelsey Dansby



Trousdale County Industry Appreciation Lunch

2016 Annual Meeting: Board and Staff

OVERVIEW OF THE TENNESSEE CENTRAL ECONOMIC AUTHORITY



Population Growth

2022 Projected: 391,775

2017 Estimate: 365,573

Population Growth

2017-2022 Projected: 7.17%

2012-2017 Growth: 12.86%

2000-2010 Growth: 22.42%

		Macon	Smith	Sumner	Trousdale	Wilson	TN Central
POPULATION	2000	14,074	17,712	130,438	7,259	88,806	264,601
	2010	14,740	19,166	160,645	7,870	113,993	323,922
	2017	13,328	19,445	180,741	8,148	133,756	365,573
	2022	12,865	19,983	193,500	8,466	145,315	391,775
PERCENTAGE GROWTH	2000-2010	4.73%	8.21%	23.16%	8.42%	28.36%	22.42%
	2010-2017	-9.58%	1.46%	12.51%	3.53%	17.34%	12.86%
	2017-2022	-3.47%	2.77%	7.06%	3.90%	8.64%	7.17%

		Davidson	Rutherford	Williamson	Tennessee	United States
POPULATION	2000	569,913	182,019	126,638	5,689,277	281,421,942
	2010	626,681	262,604	183,182	6,346,105	308,745,538
	2017	694,010	310,750	220,759	6,676,841	325,139,271
	2022	737,847	338,756	241,432	6,937,103	337,393,057
PERCENTAGE GROWTH	2000-2010	9.96%	44.27%	44.65%	11.54%	9.71%
	2010-2017	10.74%	18.33%	20.51%	5.21%	5.31%
	2017-2022	6.32%	9.01%	9.37%	3.90%	3.77%

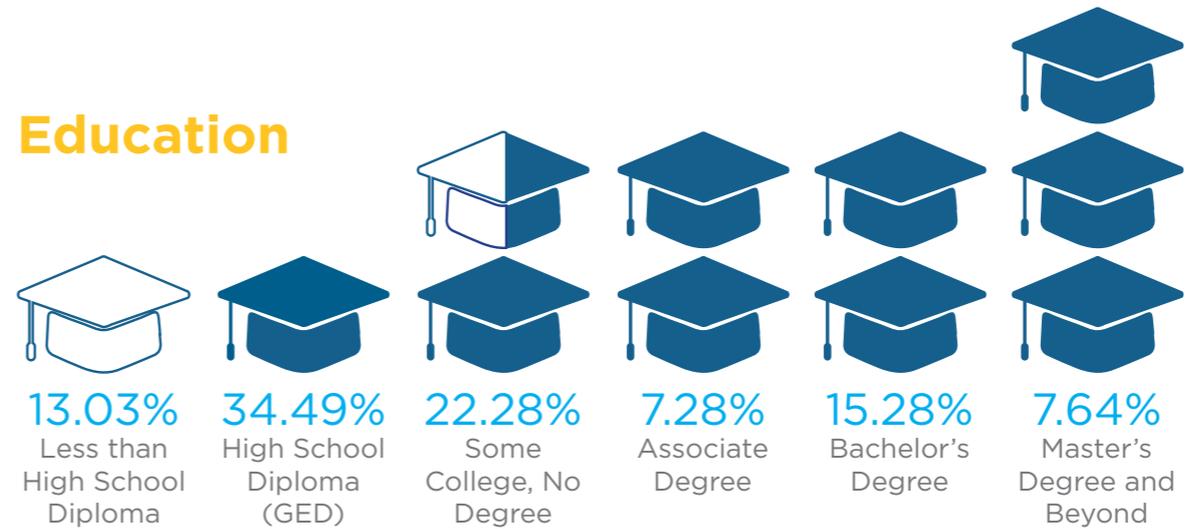
Source: Nielsen 2017

EDUCATION OVERVIEW

Area/School	2016 ACT Average
Macon County	19.7
Smith County	19.7
Sumner County	21.3
Trousdale County	20.6
Wilson County	20.8
TN Central Region	20.42
Davidson County	18.7
Rutherford County	20.8
Williamson County	24.6
United States	20.8
State of Tennessee	19.9

Area/School	2016 Graduation Rate
Macon County	82.5%
Smith County	93.8%
Sumner County	92.2%
Trousdale County	95.3%
Wilson County	95.1%
TN Central Region	91.78%
Davidson County	81.0%
Rutherford County	92.5%
Williamson County	95.5%
State of Tennessee	88.5%

Education



Universities and Colleges

- Belmont University
- Cumberland University
- Fisk University
- Lipscomb University
- Meharry Medical College
- Middle Tennessee State University
- Tennessee State University
- Tennessee Technological University
- TN College of Applied Technology in Gallatin
- TN College of Applied Technology in Hartsville
- TN College of Applied Technology in Lebanon
- TN College of Applied Technology in Portland
- TN College of Applied Technology in Red Boiling Springs
- Trevecca Nazarene University
- Vanderbilt University
- Volunteer State Community College
- Welch College
- Union University

2016 - 2017 PERFORMANCE INDEX

ECD Grant \$122,500.00 Sewer Improvement

ECD Grant Award \$50,000.00

Three InvestPrep Grant Apps: Macon, Smith, and Trousdale Counties

Three InvestPrep Site Visits: Macon, Trousdale, and Smith Counties

TVA Grants \$5,000.00

TVA Mock Site Visit: Smith County

TCEA Grants Awarded \$67,623.00 Trousdale and Smith Counties

13 RFP & RFI Responses to ECD & TVA

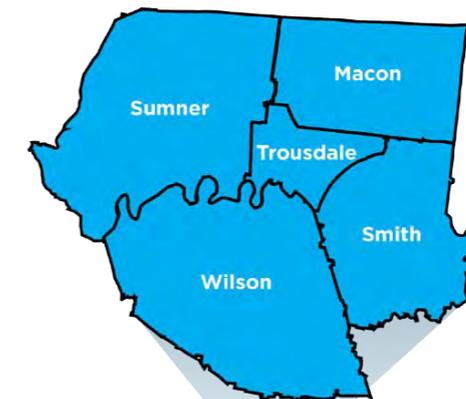
TDOT SIA Road \$2,040,275.79

ARC Automotive Adds Eight Building

V&C Christy Expansion 12,000SF

State Funding Board

Commissioner Boyd Tours Macon, Trousdale, and Smith Counties



Thank You to Legislators past and present, for your service to the State of Tennessee and for your continual support of the **Tennessee Central Economic Authority**. Over thirty years ago, you created this organization with a remarkable vision for your communities' economic future. You have since played a vital role in our growth and passion to serve the citizens of Macon, Smith, Sumner, Trousdale, and Wilson Counties. We sincerely appreciate your leadership, involvement, and assistance in helping our region and organization become stronger. Please plan to visit us soon and continue to help us with business development and new jobs in your districts.

Senators:

Mae Beavers & Ferrell Haile

Representatives:

Kelly Keisling, William Lamberth, Susan Lynn, Mark Pody, Courtney Rogers, & Terri Lynn Weaver

2016/2017 FISCAL OVERVIEWS

General Fund (Staff & Office Operations)

REVENUES

\$217,950.24	\$157,282.86
Rent	Other

TOTAL REVENUES: \$375,233.10

EXPENDITURES

\$191,289.33	\$24,560.04
Salaries & Benefits	Contract Services
\$30,200.03	\$17,148.96
Office Expenses	Advertising/Marketing
\$8,596.55	\$17,949.88
Meeting/Event Expenses	Travel
\$1,636.45	\$4,487.18
Miscellaneous	Dues and Fees

TOTAL EXPENDITURES: \$298,310.40

Capital Improvements Fund (PowerCom Industrial Center & Off-Site Development)

REVENUES

\$862,812.99	\$30,099.22	\$26,167.08
TVA In-Lieu-of-Tax Funding	Property Sales & Loan Receipts	Other (Grants & Interest)

TOTAL REVENUES: \$919,079.29

EXPENDITURES

\$188,466.83	\$149,916.00
Engineering/Admin/ Insurance Fees	Rural Development Loan Payment
\$44,454.64	\$233,405.08
Roads & Fencing	Projects (Infrastructure & Site Development)
\$67,623.00	\$563.00
Grant Programs	Misc. Expenses
	\$35,593.97
	Repairs & Maintenance

TOTAL EXPENDITURES: \$720,022.52

POWERCOM INDUSTRIAL CENTER IMPROVEMENTS



Village 1 Drainage Improvements



Village 1 Development through May 2017



Hulk Site (Potential Select TN Site)



ARC hires Plant Manager
Tim Frazier



ECD Grant for Village 1 Sewer Improvements

SIA Road Construction



Goldilocks Site Development



BUSINESS & WORKFORCE DEVELOPMENT

The Tennessee College of Applied Technology Hartsville fully supports the ongoing efforts of the TN

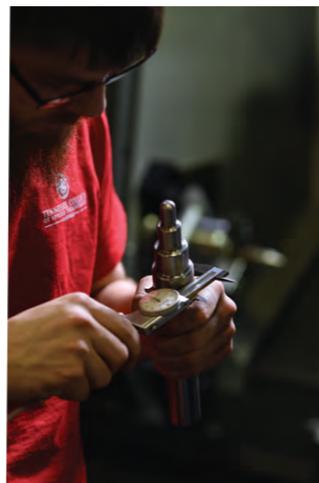


Central Economic Authority and serves as the premier supplier of workforce development for Trousdale, Sumner, Wilson, Smith and Macon Counties. We are working closely with Beretta Industries, ABC Fuel Group, NHC, CIP (Sumner), Destaco, Tacle Seating, Teknia Group (Wilson) and many others to develop training programs and provide qualified employees. The College fulfills its mission by:

- Providing competency-based training through superior quality, traditional and distance learning instruction methods that qualify completers for employment and job advancement.
- Contributing to the economic and community development of the communities served by training and retraining employed workers.
- Ensuring that programs and services are economical and accessible to all residents of Tennessee.
- Building relationships of trust with community, business, and industry leaders to supply highly skilled workers in areas of need.

At TCAT Hartsville, the focus is on your success in today's ever-changing, state-of-the-market economy. Our faculty and staff believe in providing the highest quality services and instruction to ensure an exciting learning experience. Our Instructors are qualified and dedicated to the responsive changes needed by business and industry, students, and the community. We are proud to train citizens for the skilled careers of today's workforce. Education is about creating new possibilities for career and personal growth. As the economy becomes increasingly global and competitive, the facilities and curriculum at TCAT Hartsville will provide the education and training that are required to compete in the global market.

-Mae Perry, President, TCAT-Hartsville



Charles Alexander, SBDC Director



The TN Central office assists and houses a satellite location of the Volunteer State Community College TN Small Business Development Center (TSBDC). The Center provides group sessions and one-on-one counseling & training for small business owners and entrepreneurs needing assistance in the TN Central region. Charles Alexander, the Center's Director, as well as Dave Jose, Counselor, provide private counseling at the following locations in the TN Central region during the third full week of each month:

Tuesday 9-12 pm	Mt. Juliet Chamber (615-758-3478 for appointment)
Wednesday 8-10am	TN Central Office (615-374-4607 for appointment)
Wednesday 11-1 pm	Macon County Chamber (615-666-5885 for appointment)
Wednesday 2-4 pm	Westmoreland Chamber (615-644-5156 for appointment)
Thurs. 9-11am, & 1-3pm	Lebanon Chamber (615-444-5503 for appointment)
Friday 9-12noon	Portland Chamber (615-325-9032 for appointment)
Friday 9-12noon & 1-4pm	White House Chamber (615-672-3937 for appointment)

2017/2018 WORK STRATEGIES

Economic Development Program

- Increase industrial product in the five-county region by assisting communities in projects and property opportunities.
- Respond to Request for Information for the region or individual communities.
- Market & promote the Tennessee Central as a five county region.
- Utilize the master plan for PCIC to develop building sites and all required infrastructure.
- Maintain and promote partnership with elected officials, EDOs, and Chambers of Commerce in the region.
- Management of the Authority's industrial property in PowerCom Industrial Center and the Hartsville Industrial Park.
- Port development & developing partnerships for a Cumberland River dock/ barge access.
- Continued involvement with RPO and TDOT for regional highway infrastructure.

- Maintain professional affiliations with government entities, funding agencies, TN Dept. of ECD, Chambers, UT/CTAS, ATVG, GNRC, MTIDA, UCDD, TEDC, TVA, TEP, local power companies and other providers.

Other

- Support the updating, printing, and distribution of Community Data Sheets for the twelve targeted communities in Tennessee Central.
- Increase public awareness of the Tennessee Central Economic Authority and provide a vision for the region.
- Promote Tennessee Central internally for our five-county region as a viable partner for economic development.
- Pursue other regional development opportunities as requested by the Board of Directors.
- Aggressively pursue new projects and tenants.

Business & Workforce Development Assistance

- Support our partnership with the SBA's TN Small Business Development Centers.
- Provide technical assistance to incubator clients as required (financing, marketing, etc.).
- Support small business development seminars and referrals throughout the five-county region.
- Communicate with existing businesses.
- Serve as a member of Tennessee College of Applied Technology (TCAT)/ Hartsville's Advisory Board.
- Market the training services of TCAT and Volunteer State CC to businesses and industries in the region.
- Support career and job fairs in the region & assist with workforce development programs.

Program Administration

- Comply with reporting requirements of the State of TN (Sunset Review & State Funding Board), the Board, agencies, and others agencies.
- Maintain financial reporting, audits, and budget management.
- Provide an informative website and news updates.
- Manage the daily operations of the office and admin processes.
- Search for and pursue grants and funding applications.
- Oversee and manage PowerCom Industrial Center and tenant relationships.

TN Central's Partners for Success



ACROSS THE REGION



Commissioner Bob Rolfe visits Gallatin



Coverings 2017 TEP Reception



Forward Sumner Annual Meeting with Congressman Diane Black



TCAT receives LEAP Grant (Mae Perry)



Gallatin EDA receives ECD Grant



Jessica Farlow and Mayor Jones



Macon County InvestPrep Site Visit



Thank you, TCEMC, for providing bucket truck and operator.



Mayor Nesbitt and County Executive Holt working with Governor Haslam



Mayor Jones and Mayor Driver



NCTC Broadband Groundbreaking



Tennessee Central welcomes Cody Huddleston and Stephanie Hamby



Select USA



NCTC Broadband Groundbreaking



Senate Majority Leader Mark Norris visits Trousdale



Zwirner Equipment



Smith County InvestPrep Site Visit



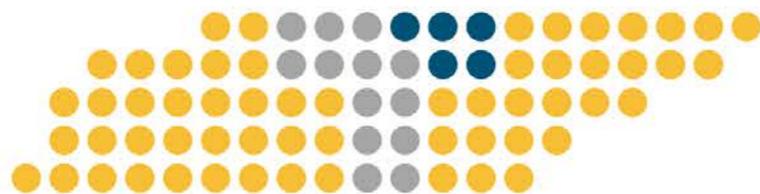
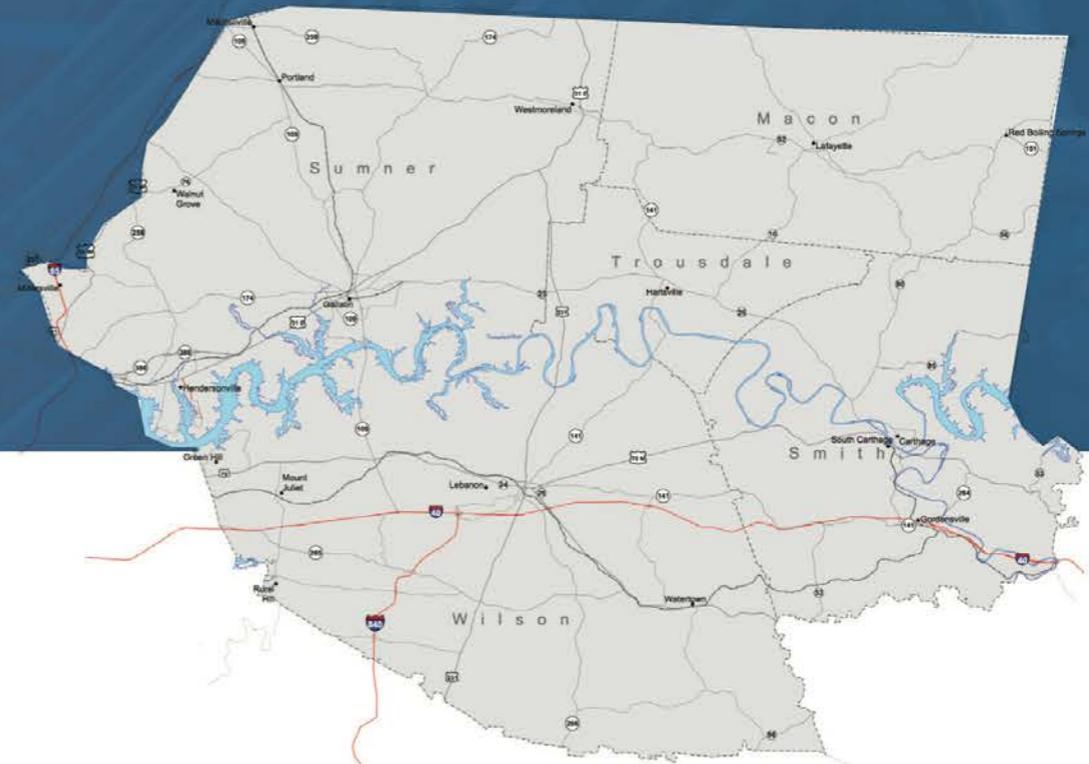
Serving The Middle Tennessee Counties of
Macon, Smith, Sumner, Trousdale, Wilson

Charly Lyons, President/CEO

☎ 615-374-4607 📱 615-426-2520 🖨 615-374-4608

702 McMurry Blvd E · Hartsville TN 37074

clyons@tennesseecentral.org



TENNESSEE CENTRAL
ECONOMIC AUTHORITY

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opportunity provider and employer.

tennesseecentral.org

Serving The Middle Tennessee Counties Of
Macon, Smith, Sumner, Trousdale, Wilson

3 years



TENNESSEE CENTRAL
ECONOMIC AUTHORITY

2015/2016 ANNUAL REPORT

MESSAGE FROM CHARLY

The Authority has been in existence for three decades and had great success and major challenges. We have numerous people to thank for their leadership. We must even appreciate our challenges as each has made us a passionate team with a vision to evolve to new achievements. The "Year of Change" best describes our 2015-16 fiscal year as we complete our third decade. Our team will carry a new banner forward as the "Tennessee Central Economic Authority." We will continue united in our vision as a regional economic development authority and working to build on the foundation provided by the Four Lake Regional Industrial Development Authority. These accomplishments have been possible due to a united endeavor from the Board, our elected officials, staff, and professional services working in partnership with the State of Tennessee, TVA, MTIDA, GNRC, and UCDD.



The willingness to embrace change has created a new name, a new master plan for the PowerCom Industrial Center, engineered a new industrial access road, removed outdated buildings for a new site, and added new jobs across the region. All of our five counties are working to change their future with new industrial property. A willingness for change is improving our opportunity for new jobs and investments into our communities.

As we continue forward there will be additional changes and challenges that reflect our growth and development. We must continue to change as a team and keep our edge to seeking excellence. We will improve our product and enhance our abilities to assist business and in doing this, we will enrich the economic conditions for our citizens and communities. As always, thank you for letting me be a part of the team and supporting our changes.

May God Bless each of you & with my sincere appreciation,

Charly Lyons

MESSAGE FROM THE STAFF

The 4L/Tennessee Central Annual Report presents a glimpse of our performance for the past fiscal year. It only highlights the numerous colleagues involved, activities, and accomplishments that were achieved for the enhancement of our communities and setting the stage for the next generation.

It reveals the collective perseverance of Legislators, Board of Directors, TNECD, TVA, MTIDA, GNRC, UCDD, TCAT, workforce development entities, and community leaders all working together for the greater good of our region and our State. The Annual Report also validates the numerous roles essential to a community's success and willingness to improve.

The Four Lake Authority was created by the State of Tennessee Legislators 30 years ago. It has evolved from legislation to a positive and active entity. As always, the Staff is deeply grateful and fortunate to work alongside such dedicated professionals. We appreciate your trust, confidence, and assistance as we continue to maintain integrity & focus and seek opportunities for the benefit of our five-county region as a whole, without preference.



BOARD OF DIRECTORS



Chairman
Anthony Holt
Sumner County Executive



Vice-Chairman
Michael Nesbitt
Smith County Mayor



Secretary/Treasurer
Carroll Carman
Trousdale County Mayor



Macon County Representative
Steve Jones
Macon County Mayor



Wilson County Representative
Randall Hutto
Wilson County Mayor



Senate Appointee
Mae Perry
Director, TCAT-Hartsville



House Appointee
Sabra Hodge
Smith County

KEY EVENTS

- ECD & Legislative Lunch with Board & Staff
- Industry Appreciation Lunch
- SEDC Fall Conference
- GNRC Annual Meeting
- TEDC Spring & Fall Conferences
- ATVG Winter & Spring Meetings
- JECDB Meetings in Macon, Smith, Trousdale, and Wilson
- USDA/Rural Development Conference
- TVA's Annual Economic Development Forum
- Forward Sumner Annual meeting
- UCDD Annual meeting
- Gallatin State of the City Address
- TEDC Day on the Hill
- TEP Board Meeting for Marketing
- Annual Governor's Conference
- MTIDA Annual Meeting
- TVA & KPMG Consulting's InvestPrep Program Workshop
- Select USA Conference
- UCDD Planning with Smith & Macon
- CEDS GNRC
- NCTC - Foundation of Rural Services Congressional Tour
- TEP Recruiting Event in NYC with Commissioner Boyd
- Westmoreland USDA Grant
- TTAP TDOT Workshop
- Site Selectors Guild
- TVA Target Market Specialist Showcase
- TCHS Career Day
- Macon County Industrial Property Tour
- TVA Tour of Sumner Enterprise Park
- TCAT General Advisory Board Meetings
- FTZ Meeting with Mayor Dean



TN Central joins UCDD & TNECD for the SelectUSA Investment Summit in Washington DC



ECD & Legislators Appreciation Luncheon



MTIDA Annual meeting with Bob Bibb, Mark Farley, Billy Woodard, and Mayor Nesbitt.



2015 Governor's Conference



UCDD Economic Development Planning Session in Macon County



UCDD Economic Development Planning Session in Smith County



Charly attends ATVG's Winter Meeting



TENNESSEE CENTRAL

ECONOMIC AUTHORITY



Charly attends SEDC Conference in Savannah. Pictured (l-r): Megan Farris, Don Alexander, Charly Lyons, Mark Farley, and Sarah Cunningham.



Charly & Jessica attend TEDC's "Day on the Hill"



Senator Corker visits Tennessee Central Region



Macon County receives Legislative update from Senator Beavers

OVERVIEW OF THE TENNESSEE CENTRAL ECONOMIC AUTHORITY

Population Growth

2021 Projected: 383,118

2016 Estimate: 357,789

Population Growth

2016-2021 Projected: 7.08%

2011-2016 Growth: 10.46%

2000-2010 Growth: 22.42%



	Macon	Smith	Sumner	Trousdale	Wilson	TN Central
2010	22,258	19,135	161,288	7,867	114,620	325,168
2011	22,468	19,156	163,943	7,809	116,787	330,163
2012	22,509	19,126	166,183	7,780	119,106	334,704
2013	22,643	19,064	169,128	7,785	122,002	340,622
2014	23,012	19,040	172,870	8,002	125,418	348,342
2015	22,177	19,295	175,989	8,042	128,911	355,414

	Davidson	Rutherford	Williamson	Tennessee	United States
2010	628,131	263,781	184,068	6,356,585	308,758,105
2011	635,779	269,097	188,296	6,398,408	309,346,863
2012	649,318	274,339	193,010	6,455,469	311,718,857
2013	659,428	281,596	198,969	6,469,130	314,102,623
2014	669,094	289,147	205,334	6,547,779	316,427,395
2015	678,889	298,612	211,672	6,600,299	321,418,820

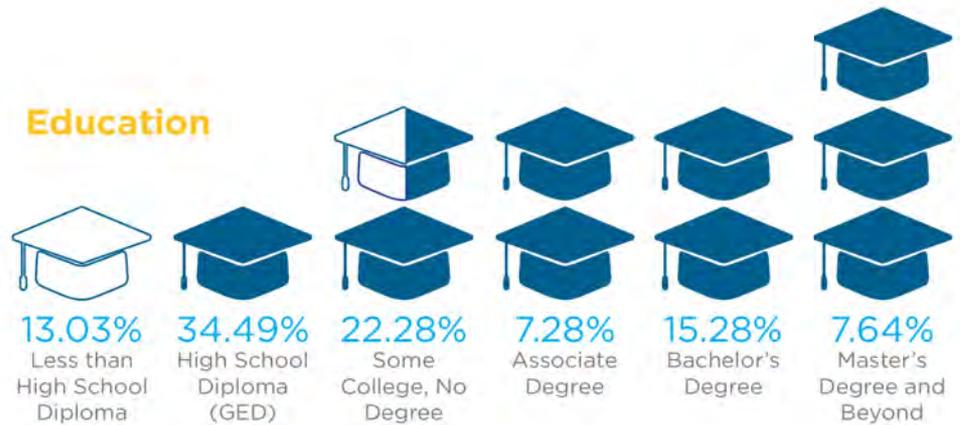
Source: Nielsen 2016

EDUCATION OVERVIEW

Area/School	2015 ACT Average
Macon County	18.5
Smith County	18.5
Sumner County	20.4
Trousdale County	20.8
Wilson County	20
TN Central Region	19.64
Davidson County	18.7
Rutherford County	19.9
Williamson County	23.8
United States	19.9

Area/School	2015 Graduation Rate
Macon County	80.1%
Smith County	90.7%
Sumner County	91.6%
Trousdale County	98.7%
Wilson County	95.7%
TN Central Region	91.4%
Davidson County	81.6%
Rutherford County	93.9%
Williamson County	95.5%
United States	93.9%

Education



Universities and Colleges

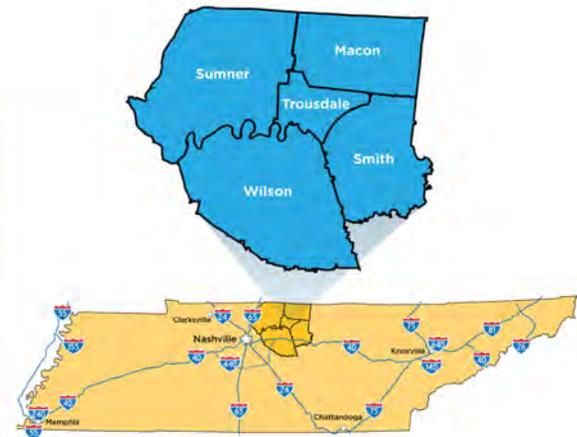
- Belmont University
- Cumberland University
- Fisk University
- Lipscomb University
- Meharry Medical College
- Middle Tennessee State University
- Tennessee State University
- Tennessee Technological University
- TN College of Applied Technology in Gallatin
- TN College of Applied Technology in Hartsville
- TN College of Applied Technology in Lebanon
- TN College of Applied Technology in Murfreesboro
- TN College of Applied Technology in Nashville
- TN College of Applied Technology in Portland
- TN College of Applied Technology in Red Boiling Springs
- Trevecca Nazarene University
- Vanderbilt University
- Volunteer State Community College
- Welch College
- Union University

2015 - 2016 PERFORMANCE INDEX

- CCA Trousdale Turner Correctional Center Opens
- Smith County Job Fair in Carthage
- Wilson County receives 4L Economic Development Grant for \$32,506.00
- PowerCom Shovel-Ready Site completed with TVA InvestPrep Grant
- ARC Automotive breaks ground & names plant manager
- Master Plan developed for PowerCom Industrial Center
- KPMG/TVA site tours in Smith & Sumner
- ECD Grant Award received for \$50,000.00
- PowerCom Dock Structure Assessment Completed
- PowerCom Site Review by ECD & Austin Consulting for Tennessee Select Site Certification
- Four InvestPrep Applications Submitted to TVA
- State Legislators approve "Tennessee Central Economic Authority" Name Change



- Northeast of Nashville
- Future Port on Cumberland
- I-65 & I-40 Corridors
- Access to Six Airports
- Foreign Trade Zone
- 5 TCAT Locations



Thank You to Legislators for passing legislation officially changing the name of Four Lake Regional Industrial Development Authority to **Tennessee Central Economic Authority**. The change in the name better describes where our region is located within the Volunteer State served by the Authority and better informs those who may be industrial or commercial prospects looking to locate here for our regional assets.

Senators: Mae Beavers & Ferrell Haile

Representatives: Kelly Keisling, William Lamberth, Susan Lynn, Mark Pody, Courtney Rogers, and Terri Lynn Weaver

2015/2016 FISCAL OVERVIEWS

General Fund (Staff & Office Operations)

REVENUES

\$263,875.16	\$154,551.50
Rent	Other

TOTAL REVENUES: \$418,426.66

EXPENDITURES

\$168,040.55	\$27,791.08
Salaries & Benefits	Contract Services
\$36,322.45	\$21,705.57
Office Expenses	Advertising/Marketing
\$10,445.97	\$16,637.94
Meeting/Event Expenses	Travel
\$1,134.00	\$6,465.45
Miscellaneous	Dues and Fees

TOTAL EXPENDITURES: \$288,543.01

Capital Improvements Fund (PowerCom Industrial Center & Off-Site Development)

REVENUES

\$881,629.16	\$65,683.56	\$188,944.48
TVA In-Lieu-of-Tax Funding	Property Sales & Loan Receipts	Other (Grants & Interest)

TOTAL REVENUES: \$1,136,257.20

EXPENDITURES

\$165,245.15	\$149,916.00
Engineering/Admin/ Insurance Fees	Rural Development Loan Payment
\$573,152.84	\$418,991.37
Roads & Fencing	Projects (Infrastructure & Site Development)
\$32,506.29	\$500.00
4L Grant Programs	Hartsville Industrial Park Property
\$105,131.18	\$1,330.98
Repairs & Maintenance	Misc. Expenses

TOTAL EXPENDITURES: \$1,446,773.81

POWERCOM INDUSTRIAL CENTER IMPROVEMENTS



20+ Acre Shovel-Ready Site
Before / After



Future 10 Acre Shovel-Ready Site



Master Plan



ARC Automotive Begins Operation
(Pictured L-R: Charly Lyons; Tim Frazier, ARC Site Mgr; Wolfgang Roeder, TNECD)

REGIONAL PRODUCT DEVELOPMENT INITIATIVES



Tennessee Central assists Smith County as Mayor Nesbitt & Billy Woodard tour potential industrial property with consultants



The 20+ Acre PowerCom site in Trousdale County is visited by TNECD & Austin Consulting for certification evaluation with the TN Select Site program



Tennessee Central assists Sumner County with PEP (Property Evaluation Program) preparations & visit from TNECD & Austin Consulting



Tennessee Central assists Macon County with potential industrial park expansion plans & site visits with consultants.

BUSINESS & WORKFORCE DEVELOPMENT

The Tennessee College of Applied Technology Hartsville fully supports the ongoing efforts of the



TENNESSEE COLLEGE OF APPLIED TECHNOLOGY
HARTSVILLE

TN Central Economic Authority and serves as the premier supplier of workforce development for Trousdale, Sumner, Wilson, Smith and Macon Counties. We are working closely with Beretta Industries (Sumner), ARC Automotive, Inc.(Trousdale), Corrections Corporation of America (Trousdale) and many others to develop training programs and provide qualified employees.

The College fulfills its mission by:

- Providing competency-based training through superior quality, traditional and distance learning instruction methods that qualify completers for employment and job advancement.
- Contributing to the economic and community development of the communities served by training and retraining employed workers.
- Ensuring that programs and services are economical and accessible to all residents of Tennessee.
- Building relationships of trust with community, business, and industry leaders to supply highly skilled workers in areas of need.

At TCAT Hartsville, the focus is on your success in today's ever-changing, state-of-the-market economy. Our faculty and staff believe in providing the highest quality services and instruction to ensure an exciting learning experience. Our instructors are qualified and dedicated to the responsive changes needed by business and industry, students, and the community. We are proud to train citizens for the skilled careers of today's workforce.

Education is about creating new possibilities for career and personal growth. As the economy becomes increasingly global and competitive, the facilities and curriculum at TCAT Hartsville will provide the education and training that are required to compete in the global market.

-Mae Perry, Director



Trousdale High School Career Fair, co-sponsored with Tri-County



The TN Central office assists and houses a satellite location of the Volunteer State Community College TN Small Business Development Center (TSBDC). The Center provides group sessions and one-on-one counseling & training for small business owners and entrepreneurs needing assistance in the TN Central region. Charles Alexander, the Center's Director, as well as Dave Jose, Counselor, provide private counseling at the following locations in the TN Central region during the third full week of each month:

Tuesday 9-12 pm	Mt. Juliet Chamber (615-758-3478 for appointment)
Wednesday 8-10am	TN Central Office (615-374-4607 for appointment)
Wednesday 11-1 pm	Macon County Chamber (615-666-5885 for appointment)
Wednesday 2-4 pm	Westmoreland Chamber (615-644-5156 for appointment)
Thurs. 9-11am, & 1-3pm	Lebanon Chamber (615-444-5503 for appointment)
Friday 9-12noon	Portland Chamber (615-325-9032 for appointment)
Friday 9-12noon & 1-4pm	White House Chamber (615-672-3937 for appointment)

2015/2016 WORK STRATEGIES

Economic Development Program

- Increase industrial product in the five-county region by assisting individual counties in economic development projects and property opportunities.
- Respond to Request for Proposals for the region or individual counties.
- Market & promote the Tennessee Central as a five county region.
- Utilize the master plan for PCIC to develop site, and infrastructure (building sites, electrical, water/sewer, telecommunications, fiber optics, & road)
- Provide technical assistance to incubator clients as required (financing, marketing, etc.).
- Maintain and promote partnership & cooperation among elected officials, economic development organizations, and Chambers of Commerce in the region.
- Management of the Authority's industrial property in PowerCom Industrial Center and the Hartsville Industrial Park.
- Continue port development and partnership with the Corps of Engineers on plans for a Cumberland River dock/barge access at PowerCom Industrial Center.
- Continued involvement with RPO and TDOT for regional highway infrastructure.
- Sustain communications with CCA and ARC automotive emphasizing the need to complete obligations pledged by Tennessee Central, the Dept. of ECD, & TVA while continuing the development of their projects and job creation.

Business & Workforce Development Assistance

- Support our partnership with the SBA's TN Small Business Development Centers.
- Develop a partnership with the Biz Foundry for entrepreneurship & start-up businesses.
- Support small business development seminars and referrals throughout the five-county region.
- Expand communications with existing businesses.
- Serve as a member of Tennessee College of Applied Technology (TCAT)/Hartsville's Advisory Board.
- Market the training services of TCAT and Volunteer State CC to businesses and industries in the region.
- Assist with job fairs in the region.
- Assist with Workforce Development programs in the Tennessee Central Region

Program Administration

- Comply with reporting requirements of the State of TN (Sunset Review & State Funding Board), Board of Directors, funding agencies, and others as necessary.
- Maintain financial reporting, audits, and budget management.
- Provide an informative web site and news updates.
- Manage the daily operations of the office and admin processes.
- Search & pursue grants and funding applications.
- Oversight & management of the PowerCom Industrial Center and tenant relationships.
- Maintain professional affiliations with governments entities, funding agencies, TN Dept. of ECD, Chambers of Commerce, UT/CTAS, the Greater Nashville Regional Council, MTIDA, the Upper Cumberland Development District, TN Economic Development Council, TVA, TEP, the region's electric distributors, and utility districts.

Other

- Support the updating, printing and distribution of Community Data Sheets for the twelve targeted communities in the Four Lake region.
- Increase public awareness of the Tennessee Central Economic Authority and provide a vision for the region.
- Promote Tennessee Central as a valuable partner for economic development internally for our five-county region.
- Pursue other regional development opportunities as requested by the Board of Directors.
- Aggressively pursue new projects and tenants.

TN Central's success would not be possible without the assistance and support of these professional organizations!



Area Colleges & Universities





Dick Walker, 1st
Executive Director,
1986-2008.
12/07/1941-09/16/11



Teresa Carman,
Office Manager
1990-Present



Donna Arrington,
Program Manager/
Asst. Director from
2003-2013



Jerry Clift,
Executive Director
2010-2011



Don Rigsby,
Executive Director
from 2012-2014



Charly Lyons,
Executive Director
2013-Present



Jessica Farlow,
Project Manager/
Asst. Director
2014-Present



30
YEARS



TENNESSEE CENTRAL
ECONOMIC AUTHORITY



Frank McKee served as Executive Director for the Hartsville Project Coordinating Committee established in 1975 to provide impact mitigation assistance to the five county governments (Macon, Smith, Sumner, Trousdale, and Wilson) impacted by the TVA Nuclear Plant construction in Hartsville. The original Board consisted of the Mayors from each county or their representative: Macon Co Judge Aubrey Dallas; Smith Co Judge Jack Kittrell; Gallatin Mayor Ted Kelley for Sumner Co; Mayor James Donoho, Trousdale County; and Wilson Co Judge Don Simpson. Such a positive relationship evolved among the five-county Board members that following the announced halt of the TVA Nuclear Plant project, the local governments decided to continue efforts focusing on industrial & economic development for the impacted region. Thus, the Four Lake Regional Industrial Development Authority was created by Public Act on **April 15, 1986**.



Ron Fultz (right) wrote legislation creating the Four Lake Regional Industrial Development Authority



2001/2002 Executive Committee & Staff



While with TNECD, Rob Schmid & Dick Walker were instrumental in the development & implementation of the 3-Star Program. Today, all five Counties of the TN Central region are 3-Star Award holders.

Vol. 112 • No. 112

Lebanon, Tennessee • Tuesday, June 6, 2000



The TVA Hartsville site is shown with outlines of the existing facility and the proposed site for industry. The upper-left corner between the green and red outlines is the area proposed for industrial development.

TVA committee explores Hartsville plans



PowerCom Infrastructure Groundbreaking 2004



Infrastructure Development Begins



2006 Spec Building Groundbreaking



CCA Groundbreaking 2014



4L Office 1991 - 2012



4L/Tennessee Central Office



2007 Spec Building nears completion



ARC Automotive 2014 announcement



TENNESSEE CENTRAL

ECONOMIC AUTHORITY

tennesseecentral.org

Charly Lyons, Executive Director



615.374.4607



615.426.2520



615.374.4608



702 McMurry Blvd | Hartsville, TN 37074



clyons@tennesseecentral.org

This institution is an equal opportunity provider & employer.



Capital Improvements Fund Balance Sheet Standard

As of October 31, 2016

	<u>Oct 31, '16</u>
ASSETS	
Current Assets	
Checking/Savings	
Money Market Acct	4,085,847.03
NOW Checking Acct	<u>15,549.34</u>
Total Checking/Savings	4,101,396.37
Accounts Receivable	
11000 — Accounts Receivable	<u>-2,556.88</u>
Total Accounts Receivable	-2,556.88
Other Current Assets	
12000 — Undeposited Funds	<u>2,556.88</u>
Total Other Current Assets	<u>2,556.88</u>
Total Current Assets	<u>4,101,396.37</u>
TOTAL ASSETS	<u><u>4,101,396.37</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 — Accounts Payable	<u>149,916.00</u>
Total Accounts Payable	149,916.00
Credit Cards	
24100 — VISA	<u>25.98</u>
Total Credit Cards	<u>25.98</u>
Total Current Liabilities	<u>149,941.98</u>
Total Liabilities	149,941.98
Equity	
30000 — Opening Balance E...	2,745,473.18
32000 — Retained Earnings	1,487,619.80
Net Income	<u>-281,638.59</u>
Total Equity	<u>3,951,454.39</u>
TOTAL LIABILITIES & EQUITY	<u><u>4,101,396.37</u></u>

Capital Improvements Fund Profit and Loss Budget vs. Actual

July through October 2016

	Budget	Jul - Oct '16	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
43300 — In-Lieu-of-Tax Funds	850,000.00	0.00	-850,000.00	0.0%
44500 — Grants				
44520 — ECD	68,011.43	18,011.43	-50,000.00	26.5%
Total 44500 — Grants	68,011.43	18,011.43	-50,000.00	26.5%
46400 — Other Types of Income				
46410 — Property Sales	0.00	0.00	0.00	0.0%
46420 — V&C Sprinkler Sys Pmts	30,682.56	10,227.52	-20,455.04	33.3%
46430 — Interest	9,000.00	3,545.51	-5,454.49	39.4%
46440 — Reimbursements & Misc	0.00	0.00	0.00	0.0%
46400 — Other Types of Income - ...		-583.34		
Total 46400 — Other Types of Income	39,682.56	13,189.69	-26,492.87	33.2%
Total Income	957,693.99	31,201.12	-926,492.87	3.3%
Gross Profit	957,693.99	31,201.12	-926,492.87	3.3%
Expense				
60300 — Regional Development				
60305 — Zwirner Property	0.00	0.00	0.00	0.0%
60310 — Select TN Grant Program				
60312 — Smith County	11,130.00	0.00	-11,130.00	0.0%
60313 — Sumner County	0.00	0.00	0.00	0.0%
60314 — Trousdale County	7,749.55	1,900.00	-5,849.55	24.5%
60315 — Wilson County	20,000.00	0.00	-20,000.00	0.0%
Total 60310 — Select TN Grant Prog...	38,879.55	1,900.00	-36,979.55	4.9%
60320 — 4L ED Grant Program				
60321 — Macon County	98,322.43	0.00	-98,322.43	0.0%
60322 — Smith County	83,492.47	0.00	-83,492.47	0.0%
60323 — Sumner County	100,000.00	0.00	-100,000.00	0.0%
60324 — Trousdale County	100,000.00	0.00	-100,000.00	0.0%
60325 — Wilson County	57,501.72	0.00	-57,501.72	0.0%
Total 60320 — 4L ED Grant Program	439,316.62	0.00	-439,316.62	0.0%
Total 60300 — Regional Development	478,196.17	1,900.00	-476,296.17	0.4%
62100 — Contract Services				
62140 — Legal Fees	7,500.00	129.00	-7,371.00	1.7%
62150 — Prof. & Eng. Services	60,000.00	3,621.60	-56,378.40	6.0%
Total 62100 — Contract Services	67,500.00	3,750.60	-63,749.40	5.6%
62800 — PowerCom Expenses				
62810 — Property Insurance	8,000.00	0.00	-8,000.00	0.0%
62820 — Existing Bldg Upgrades/R&...	100,000.00	453.00	-99,547.00	0.5%

Capital Improvements Fund

Profit and Loss Budget vs. Actual

July through October 2016

	Budget	Jul - Oct '16	\$ Over Budget	% of Budget
62822 — Site Development/Hulk	180,000.00	0.00	-180,000.00	0.0%
62823 — Site Development/Goldilocks	300,000.00	0.00	-300,000.00	0.0%
62824 — Infrastructure/ARC	131,900.00	0.00	-131,900.00	0.0%
62825 — 2017 ECD Grant Projects	50,000.00	1,550.00	-48,450.00	3.1%
62831 — Waterline Exts/Inst/R&M	90,000.00	0.00	-90,000.00	0.0%
62835 — Sewerline Exts/Inst/R&M	225,000.00	0.00	-225,000.00	0.0%
62840 — Road Upgrades & Maint.	65,000.00	0.00	-65,000.00	0.0%
62841 — TDOT/CCA Road Pjt	435,921.55	1,468.80	-434,452.75	0.3%
62850 — Dock/Port Development	100,000.00	0.00	-100,000.00	0.0%
62851 — Dredging	250,000.00	0.00	-250,000.00	0.0%
62860 — Signs/Gate/Fence Adds/R...	40,000.00	360.00	-39,640.00	0.9%
62870 — Utility Expenses (w/s/g/e)	10,000.00	919.73	-9,080.27	9.2%
62880 — Contract Labor				
62881 — Site R&M, Security	18,000.00	1,640.00	-16,360.00	9.1%
62882 — Dozer & Bush Hogging	35,000.00	0.00	-35,000.00	0.0%
Total 62880 — Contract Labor	53,000.00	1,640.00	-51,360.00	3.1%
62890 — Supplies/Equip R&M	6,000.00	499.58	-5,500.42	8.3%
Total 62800 — PowerCom Expenses	2,044,821.55	6,891.11	-2,037,930.44	0.3%
65100 — Other Expenses				
65160 — Other Costs	2,500.00	382.00	-2,118.00	15.3%
70000 — RD Loan Payment	149,916.00	149,916.00	0.00	100.0%
75000 — Admin. Services Fee	150,000.00	150,000.00	0.00	100.0%
Total 65100 — Other Expenses	302,416.00	300,298.00	-2,118.00	99.3%
Total Expense	2,892,933.72	312,839.71	-2,580,094.01	10.8%
Net Ordinary Income	-1,935,239.73	-281,638.59	1,653,601.14	14.6%
Net Income	-1,935,239.73	-281,638.59	1,653,601.14	14.6%

11/01/16

General Fund Balance Sheet

As of October 31, 2016

	<u>Oct 31, '16</u>
ASSETS	
Current Assets	
Checking/Savings	
Checking	16,305.73
Savings	<u>1,042,201.58</u>
Total Checking/Savings	1,058,507.31
Accounts Receivable	
11000 — Accounts Receivable	<u>12,077.16</u>
Total Accounts Receivable	12,077.16
Other Current Assets	
12000 — Undeposited Funds	<u>4,500.00</u>
Total Other Current Assets	<u>4,500.00</u>
Total Current Assets	<u>1,075,084.47</u>
TOTAL ASSETS	<u><u>1,075,084.47</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
24100 — VISA	-12.44
24110 — MASTERCARD	<u>-632.73</u>
Total Credit Cards	<u>-645.17</u>
Total Current Liabilities	<u>-645.17</u>
Total Liabilities	-645.17
Equity	
30000 — Opening Balance E...	554,579.53
32000 — Retained Earnings	386,948.40
Net Income	<u>134,201.71</u>
Total Equity	<u>1,075,729.64</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,075,084.47</u></u>

11/01/16

General Fund Budget vs. Actual

July through October 2016

	Budget	Jul - Oct '16	\$ Over Bud...	% of Budget
Ordinary Income/Expense				
Income				
44500 — Government Grants				
44510 — TVA Grants (CR to #60930)	2,000.00	3,500.00	1,500.00	175.0%
Total 44500 — Government Grants	2,000.00	3,500.00	1,500.00	175.0%
46400 — Other Types of Income				
46410 — Interest	700.00	253.29	-446.71	36.2%
46420 — Administrative Services Fee	150,000.00	150,000.00	0.00	100.0%
46430 — Miscellaneous				
46431 — Mtg Lunch Fees (CR to #6...	700.00	160.00	-540.00	22.9%
46432 — Event Sponsors (CR to #60...	900.00	900.00	0.00	100.0%
Total 46430 — Miscellaneous	1,600.00	1,060.00	-540.00	66.3%
Total 46400 — Other Types of Income	152,300.00	151,313.29	-986.71	99.4%
47500 — Rentals	165,750.00	73,800.08	-91,949.92	44.5%
Total Income	320,050.00	228,613.37	-91,436.63	71.4%
Gross Profit	320,050.00	228,613.37	-91,436.63	71.4%
Expense				
60900 — Business Expenses				
60910 — Meeting Related Expenses	11,500.00	1,182.65	-10,317.35	10.3%
60920 — Dues/Fees/Renewals	7,000.00	1,658.73	-5,341.27	23.7%
60930 — Events	3,600.00	181.97	-3,418.03	5.1%
Total 60900 — Business Expenses	22,100.00	3,023.35	-19,076.65	13.7%
62100 — Contract Services				
62110 — Accounting Fees	3,000.00	0.00	-3,000.00	0.0%
62140 — Legal Fees	19,845.00	6,615.00	-13,230.00	33.3%
62150 — Other Contract Services	5,000.00	1,815.04	-3,184.96	36.3%
Total 62100 — Contract Services	27,845.00	8,430.04	-19,414.96	30.3%
65000 — Office Operations				
65010 — Rent	9,000.00	3,000.00	-6,000.00	33.3%
65020 — Postage/Printing	700.00	193.76	-506.24	27.7%
65030 — Utilities	4,000.00	1,223.16	-2,776.84	30.6%
65040 — Supplies & Equip.	6,500.00	1,623.60	-4,876.40	25.0%
65050 — Communications	7,000.00	2,160.65	-4,839.35	30.9%
65120 — Insurance - Office, D&O, WC	4,650.00	3,635.50	-1,014.50	78.2%
Total 65000 — Office Operations	31,850.00	11,836.67	-20,013.33	37.2%

	Budget	Jul - Oct '16	\$ Over Bud...	% of Budget
65100 — Misc.	3,000.00	532.98	-2,467.02	17.8%
65110 — Marketing	24,000.00	3,985.88	-20,014.12	16.6%
66000 — Payroll Expenses				
66010 — President/CEO	75,000.00	25,000.00	-50,000.00	33.3%
66020 — Vice President	51,000.00	17,000.00	-34,000.00	33.3%
66030 — Executive Admin Assistant	32,000.00	15,040.95	-16,959.05	47.0%
66050 — Benefits	27,500.00	6,444.24	-21,055.76	23.4%
Total 66000 — Payroll Expenses	185,500.00	63,485.19	-122,014.81	34.2%
68300 — Travel	18,000.00	3,117.55	-14,882.45	17.3%
Total Expense	312,295.00	94,411.66	-217,883.34	30.2%
Net Ordinary Income	7,755.00	134,201.71	126,446.71	1,730.5%
Net Income	7,755.00	134,201.71	126,446.71	1,730.5%

ETHICS POLICY

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

SECTION 1

PURPOSE: The maintenance of high standards of honesty, integrity, impartiality, and conduct by employees and officials of the Four Lake Regional Industrial Development Authority (Four Lake Authority) is essential to ensure the proper performance of the five-county regional economic development agency's business, as well as the maintenance of confidence by citizens in its region. The avoidance of misconduct and conflicts of interest is indispensable to the maintenance of these standards.

SECTION 2

DEFINITIONS

(1) "Officials and employees" means and includes any official, whether elected or appointed, officer, employee or servant, or any member of any board or committee (whether compensated or not) of the Four Lake Authority.

(2) "Personal interest" means, for the purpose of disclosure of personal interests in accordance with this Ethics Policy, a financial interest of the official or employee, or a financial interest of the official's or employee's spouse or child living in the same household, in the matter to be voted upon, regulated, supervised, or otherwise acted upon in an official capacity.

SECTION 3

APPLICABILITY: This Policy is applicable to all employees and officials of the Four Lake Authority. If any portion of this policy conflicts with applicable state or federal laws and regulations, that portion shall be considered void. The remainder of this Policy shall not be affected thereby and shall remain in full force and effect.

SECTION 4

DISCLOSURE OF PERSONAL INTEREST IN VOTING MATTERS:

An official with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and to be included in the Minutes, any personal interest that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on the measure. In addition, the official may, to the extent allowed by law, recuse himself or herself from voting on the measure.

SECTION 5

DISCLOSURE OF PERSONAL INTEREST IN NON-VOTING MATTERS:

An official or employee who must exercise discretion relative to any matter other than casting a vote and who has a personal interest in the matter that affects or that would lead a reasonable person to infer that it affects the exercise of the discretion may, to the extent allowed by law, recuse himself or herself from the exercise of discretion in the matter. Such an official or employee shall make a full disclosure of the matter to the person's superior authority who shall determine the course of action to be followed.

SECTION 6

ACCEPTANCE OF GIFTS AND OTHER THINGS OF VALUE: An official or employee, or an official's or employee's spouse or child living in the same household, may not accept, directly or indirectly, any gift, money, gratuity, or other consideration or favor of any kind from anyone other than the Four Lake Authority:

(1) For the performance of an act, or refraining from performance of an act, that he would be expected to perform, or refrain from performing, in the regular course of his duties; or

(2) That a reasonable person would understand was intended to influence the vote, official action, or judgment of the official or employee in executing Four Lake business.

SECTION 7

USE OF INFORMATION: No official or employee shall, directly or indirectly:

(1) Use, disclose, or allow the use of official information which was obtained through or in connection with his or her employment with the Four Lake Authority and which has not been made available to the general public for the purpose of furthering the private interest or personal profit of any person, including the employee; or

(2) Engage in a financial transaction as a result of, or primarily relying upon, information obtained through his or her employment with the Four Lake Authority.

SECTION 8

USE OF GOVERNMENT PROPERTY: No employee shall make use of the facilities, equipment, personnel, or supplies of the Four Lake Authority for private use or gain, except to the extent that the use is incidental, de minimus or is lawfully available to the general public.

SECTION 9

ETHICS COMPLAINTS: An Ethics Committee consisting of five members representing each of the five counties served by the Four Lake Authority shall be appointed by the Chairman of the Four Lake Authority for two-year terms. At least two members of the

Committee shall be members of the **Executive Committee**; the remaining three members may be either members of the Four Lake Board of Directors or **Executive Committee** or a Four Lake Authority employee. The Ethics Committee shall convene as soon as practicable after their appointment and elect a Chairman and a Vice-Chairman. The records of the Ethics Committee shall be maintained by the Four Lake Executive Director and shall be filed in the office of the Four Lake Authority where they shall be open to public inspection.

Questions and complaints regarding violations of this Ethics Policy or of any violation of state law governing ethical conduct should be first directed to the Executive Director of the Four Lake Authority; the Executive Director then refers the complaint to the Chairman of the Ethics Committee. Complaints shall be in writing and signed by the person making the complaint, and shall set forth in reasonable detail the facts upon which the complaint is based.

The Four Lake Ethics Committee shall investigate any credible complaint against an official or employee charging any violation of this Ethics Policy, or may undertake an investigation on its own initiative when it acquires information indicating a possible violation, and make recommendations for action to end or seek retribution for any activity that, in the Committee's judgment, constitutes a violation of this Ethics Policy. If a member of the Committee is the subject of a complaint, such member shall recuse himself or herself from all proceedings involving such complaint; a replacement Committee member will then be appointed by the Chairman of the Four Lake Authority.

The Committee may:

(1) refer the matter to the Four Lake Attorney for a legal opinion and/or recommendations for action;

(2) in the case of an official, refer the matter to the Four Lake Board of Directors or **Executive Committee** for possible public censure if it finds such action warranted;

(3) in the case of an employee, refer the matter to the official responsible for supervision of the employee for possible disciplinary action if the official finds discipline warranted;

(4) in a case involving possible violation of state statutes, refer the matter to the District Attorney for possible ouster or criminal prosecution;

The interpretation that a reasonable person in the circumstances would apply shall be used in interpreting and enforcing this Ethics Policy. When a violation of this Ethics Policy also constitutes a violation of a personnel policy or a civil service policy, the violation shall be

dealt with as a violation of the personnel or civil service provisions rather than as a violation of this Ethics Policy.

SECTION 10

APPLICABLE STATE LAWS: In addition to the ethical principles set out in this Ethics Policy, state laws also provide a framework for the ethical behavior of county officials and employees in the performance of their duties. Officials and employees should familiarize themselves with the state laws applicable to their office or position and the performance of their duties. To the extent that an issue is addressed by state law (law of general application, public law of local application, local option law, or private act), the provisions of that state law, to the extent they are more restrictive, shall control. Following is a brief summary of selected state laws concerning ethics regarding the Four Lake Authority. For the full text of these statutes, see the *Tennessee Code Annotated (TCA)* sections indicated.

Conflict of interest – TCA 12-4-101 is the general conflict of interest statute that applies in all counties. It prohibits anyone who votes for, lets out, or in any manner supervises any work or contract from having a direct financial interest in that contract, purchase or work, and it requires disclosure of indirect financial interests by public acknowledgment.

Conflict of interest – TCA 5-1-125 applies in all counties and prohibits county officials and employees from purchasing surplus county property except where it is sold by public bid.

Conflict of interest – TCA 5-14-114 applies in counties served by the Four Lake Authority that have adopted the County Purchasing Law of 1957. It prohibits the purchasing agent, members of the purchasing commission, and all county officials from having any financial or other personal beneficial interest in any contract or purchase of goods or services for any department or agency of the Four Lake Authority.

Conflict of interest – TCA 5-21-121 applies in counties that have adopted the County Financial Management System of 1981. It prohibits all county officials and employees from having any financial or other personal beneficial interest in the purchase of any supplies, materials or equipment for the Four Lake Authority.

Conflict of interest – TCA 5-5-102 and 12-4-101 govern disclosures and abstentions from voting due to conflicts of interest of members of the Four Lake legislative bodies.

Crimes involving public officials – TCA 39-16-101 and the following sections prohibit bribery, soliciting unlawful compensation, and buying and selling in regard to offices.

Official misconduct – TCA 39-16-402 applies to public servants and candidates for office and prohibits unauthorized exercise of official power, acting in an official capacity exceeding the servant's power, refusal to perform a duty imposed by law, violating a law relating to the servant's office or employment, and receiving a benefit not provided by law.

Official oppression – TCA 39-16-403 prohibits abuse of power by a public official.

Bribery for votes – TCA 2-19-121, 2-19-126, and 2-19-127 prohibit bribery of voters in elections.

Misuse of official information – TCA 39-16-404 prohibits a public servant from attaining a benefit or aiding another person in attaining a benefit from information which was obtained in an official capacity and is not available to the public.

*Approved by Executive Committee on October 15, 2010.
Amended by Board of Directors on April, 10, 2015.*

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE FOUR LAKE REGIONAL
INDUSTRIAL DEVELOPMENT AUTHORITY AMENDING PROVISIONS OF THE
ETHICS POLICY OF THE AUTHORITY**

Be it resolved that the Ethics Policy of the Four Lake Regional Industrial Development Authority (Four Lake Authority) be and the same is amended as follows:

1. In Section 9 thereof, delete the first and second sentences and insert the following:

An Ethics Committee consisting of three members of the Board shall be appointed by the Chairman of the Four Lake Authority for two year terms.

2. In Section 9 thereof, paragraph (2), delete the words "or Executive Committee".

This resolution shall be effective immediately upon its approval by the Board of Directors of the Four Lake Regional Industrial Development Authority.

Approved April 10, 2015

FOUR LAKE REGIONAL INDUSTRIAL

DEVELOPMENT AUTHORITY

Annual Financial Report

For the Year Ended June 30, 2015

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

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INTRODUCTORY SECTION

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Schedule of Officers

June 30, 2015

<u>Official</u>	<u>Title</u>
Anthony Holt	Chairman
Michael Nesbitt	Vice-Chairman
Sabra Hodge	Secretary/Treasurer
Carroll Carman	Board Member
Steve Jones	Board Member
Mae Perry	Board Member
Randall Hutto	Board Member

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Board of Directors
Four Lake Regional Industrial Development Authority
Hartsville, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of the Four Lake Regional Industrial Development Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Four Lake Regional Industrial Development 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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds of the Four Lake Regional Industrial Development Authority as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management’s Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan 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 Authority 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. I 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Four Lake Regional Industrial Development Authority’s basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2015 on the consideration of the Authority’s internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control over financial reporting and compliance.

John R. Poole, CPA

August 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

The discussion and analysis of Four Lake Regional Industrial Development Authority's financial performance provides an overall narrative review of the Authority's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the Authority's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance his or her understanding of the Authority's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this Authority's financial statements, notes to financial statements, and any accompanying materials. To the extent this discussion contains any forward-looking statements of the Authority's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

AUTHORITY OVERVIEW

Creation: As a result of the impact of TVA's discontinuation of the Hartsville nuclear power plant construction project, the Four Lake Regional Industrial Development Authority was created by public act of the State Legislature on April 15, 1986. Enabling legislation states that the Authority was "created and established for the purpose of developing the resources of the region embracing the counties of Macon, Smith, Sumner, Trousdale and Wilson ". More specifically, the Authority "is directed to focus its activity toward economic development and improving employment opportunities in the region". In 1988 the Authority contracted staff.

History: In consideration of the established purpose of the Authority and its limited TVA and State grant funding, Four Lake began operating a business incubator program in 1989 utilizing vacant warehouses at the Hartsville TVA site. The buildings were offered to business start-ups/expansions at below average rental rates under a Lease/Sub-Lease arrangement between TVA (receiving 80% of lease revenues) and the Four Lake Authority (retaining 20% of lease revenues).

On June 27, 2002, the Authority purchased 554 acres located within the TVA/Hartsville Distribution Center (discontinued nuclear site) from TVA for \$1.7 million. Through a USDA/Rural Development Loan, infrastructure improvements were initiated immediately, including a 750,000 gallon water storage tank, as well as new water/sewer/natural gas lines installed to the mid-point of the newly-purchased property. Beginning in 2003, with funding from annual TVA In-Lieu-of-Tax grants, projects commenced to develop the site into a viable

business/industrial center in hopes of employing workers from the entire five-county region. For marketing purposes, the property was branded "PowerCom Industrial Center" with identifying logo and illuminated directional signs from State Hwy 25 into the site. In addition, ECD Special Appropriation Grants and TVA/Special Opportunities County Grants have funded other improvements/upgrades including: a 54,000 square foot Spec. Building (March, 2008); tenant specific electrical upgrades; roadways within the site named and marked; all buildings identified with specialty-designed 911 address signs; utility upgrades/installation for the CCA project; rehab (paint, new dock doors, trim, structural repairs, etc.) of eight warehouse buildings, one office trailer, and a 700' dock in the forward section (Village One) of the site; surveying and marking outer boundaries of the PowerCom site with 200 angle iron posts & 10 eight foot "Four Lake" iron markers; additional fencing and security gate dividing Village One and Village Two; upgrade of the site's electrical systems to establish dual-feed throughout the site with backup from a rehabbed electrical sub-station located on the adjacent TVA property; water-line extensions to the lower section of the site (Village Two), as well as the installation of taps & meters for current tenants; substantial clearing of the site; and recurring maintenance – bush hogging, roof and road repairs, etc.

Corrections Corporation of America (CCA) purchased 108 acres of the PowerCom Industrial Center on April 22, 2008. Construction was halted indefinitely on the planned 2,040 medium-security bed facility that, when operational, would create much-needed employment - a minimum of 350 persons. (See update on this project below.)

Beginning July 1, 2011, Four Lake was placed in "wind-down" status and restructuring efforts began to satisfy specific concerns of Legislators. In December 2011, a new grant program was established that allocated \$20,000 for each of Four Lake's five counties. The grant funds were designated as "Off-Site Development" from the Capital Projects fund. Guidelines were created to limit the funds to economic development & job-creating projects that require Board approval. An amendment to Four Lake's Enabling Legislation became effective July 1, 2012 that replaced the 21-member Board and Executive Committee with a single-governing, seven-member Board of Directors. The new Board is comprised of the five County Mayors/Executive, one member appointed by the Senate, and one member appointed by the House.

Legislators approved Four Lake's Sunset extension and funding for an additional four years. Highlights of the fiscal year include: A TVA/Economic Development lead project, ARC Automotive (aka Project Scarecrow) was vigorously recruited for many months by the Four Lake Authority which resulted in an announcement on May 27, 2014, that PowerCom Industrial Center/Trousdale County had been selected as their expansion site for 66 new manufacturing jobs. The CCA project was reactivated in early 2014 with a \$140 million budget and a date of operation scheduled for January 3, 2016. In March, 2014, V&C Manufacturing/Christy's purchased the 54,000sf Spec Building and contiguous five acres. Installation of fiber optics through the PowerCom Industrial Center was completed with the assistance of a State of Tennessee ECD grant, including connecting the Four Lake office with security cameras and remote access to the security gate. TDEC and the Corps of Engineers granted a permit for dredging the harbor at the Cumberland River barge access in

the PowerCom Industrial Center and a Port Feasibility Study was initiated. Four Lake was awarded \$37,350 in economic development grant funds.

Current: The 2014-2015 fiscal year has seen momentous activity. CCA had a groundbreaking on October 3, 2014 for the Turner-Trousdale Correctional Center. ARC broke ground on site development of fifty acres leased in PowerCom Industrial Center. The Four Lake Authority facilitated a FastTrack Infrastructure grant with the State of Tennessee and Trousdale County for \$290,000.00 to extend water and sewer to the ARC Automotive site. Four Lake Authority was awarded an InvestPrep grant from TVA to develop a 20 acre site within PowerCom Industrial Center for an industrial building. A \$50,000.00 grant was received from the State of Tennessee's Dept. of ECD for a flood plain study and dock site improvements. In March 2015, the Tennessee Department of Transportation committed a State Industrial Access grant for \$1.6M in PowerCom to improve and build a direct road to the ARC and CCA facilities with Four Lake committing \$400,000.00 for engineering and construction funding. Plus, the staff launched a new web site and marketing program for the Tennessee Central Economic Alliance (www.tennesseecentral.org). Lastly, the Four Lake staff was added to the State of Tennessee Deferred Compensation Plan II - 401(k).

As of June 30, 2015, Four Lake was leasing 22 buildings totaling 218,700 square feet to twenty-two businesses employing approximately 532 persons. The increase is a reflection of temporary tenants during construction of the CCA facility.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. Net position may serve over time as a useful indicator of government's financial position. In the case of the Authority, assets exceeded liabilities by \$11,540,945 as of June 30, 2015. The largest portion of the Authority's Net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its member counties, as well as develop and market the PowerCom Industrial Center.

The Authority's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the Authority's Net position for the fiscal year ended June 30, 2015:

Current assets	\$5,745,689
Capital assets, net	<u>6,253,132</u>
Total Assets	11,998,821
Current liabilities	35,045
Long-term debt outstanding	<u>422,831</u>
Total Liabilities	457,876

Net position:	
Net Investment in capital assets	5,830,301
Restricted	4,690,954
Unrestricted	<u>1,019,690</u>
Total Net position	11,540,945

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of Net position presents information on all the Authority's assets and liabilities, with the difference between the two reported as Net position. Over time, increases or decreases in Net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's Net position changed during the most recent fiscal year. All changes in Net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the Authority that are principally supported by TVA In-Lieu-of-Tax revenues, property rent revenues, and intergovernmental grants.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are governmental.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, general fund financial statements focus on current spendable resources, as well as on balances of spendable

resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's current financing requirements. General Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The General Fund Statements provide a detailed short-term view of the Authority's operations.

Because the focus of general funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for general funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's current financing decisions. Both the governmental funds balance sheet and the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's budget process.

The Authority adopts an annual operating budget for all general funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

Changes in Net position. The Authority's total revenues for the fiscal year ended June 30, 2015 was \$(1,215,991). The total cost of all programs and services was \$736,919. The following table presents a summary of the changes in Net position for the fiscal year ended June 30, 2015.

Revenues:	
General Fund	\$252,992
Capital Projects Fund	962,999
Total revenues	1,215,991
Expenses:	
General Fund Expenses	264,351
Capital Projects Expenses	472,568
Total expenses	736,919
Increase in Net position	\$479,072

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Authority's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

The financial performance of the Authority as a whole is reflected in its governmental funds. As the Authority completed the year, its governmental funds reported a combined fund balance of \$5,500,704, a decrease over last year of \$619,309, due to early payment of \$900,000 in debt.

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the Authority's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the Authority's total capital assets were \$6,253,132, including buildings and equipment. Total accumulated depreciation as of June 30, 2015 was \$1,282,559 and total depreciation expense for the year was \$152,582.

Debt Administration. At year end, the Authority had revenue bonds in the amount of \$422,831, a debt reduction of \$978,803 from last fiscal year.

CURRENT ISSUES

The Authority's *primary endeavor has always been* to proceed responsibly & methodically in all activities with the utmost integrity and respect for the public's funds & trust, as well as for the benefit of its five-county region as a whole, without preference. The Authority's financial status is stable and continues to improve. The Authority has achieved full support of its legislative representatives, as well as the State Funding Board with the Authority's Sunset status and funding extension through June 30, 2018. The Authority paid its USDA loan down by \$900,000.00 for a savings on interest and to position the Authority for future funding on new development.

Contacting the Authority's Financial Management:

If you have questions regarding this report, you may contact the Executive Director, Charly Lyons, at 702 McMurry Blvd.; Hartsville, TN 37074 or by phone at 615-374-4607.

Additional information regarding the Four Lake Authority can be found at its website: www.tennesseecentral.org

BASIC FINANCIAL STATEMENTS

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Statement of Net Position

June 30, 2015

<u>Assets and Deferred Outflows</u>	<u>Total</u>
Cash and cash equivalents	\$5,493,207
Accounts receivable	8,285
Notes receivable	225,005
Net pension position	4,953
Deferred outflows	14,239
Capital assets, not depreciated	1,120,273
Capital assets, net of accumulated depreciation	5,132,859
Total Assets	<u>\$11,998,821</u>
<u>Liabilities</u>	
Accounts payable	18,230
Long term debt:	
Due in less than a year	132,474
Due in more than a year	290,357
Total Liabilities	<u>441,061</u>
Deferred Inflows	
Deferred inflows - pension	16,815
Total Deferred Inflows	<u>16,815</u>
Net Position:	
Net investment in capital assets	5,830,301
Restricted for property improvements	4,690,954
Unrestricted	1,019,690
Total Net Position	<u>\$11,540,945</u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2015

<u>Function/Programs</u>	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Industrial Park	264,351	247,174	84,632	0	67,455	67,455
Capital Improvements	472,568	0	870,906	0	398,338	398,338
Total Governmental Activities	<u>736,919</u>	<u>247,174</u>	<u>955,538</u>	<u>0</u>	<u>465,793</u>	<u>465,793</u>
General Revenues:						
					Other income	
					Interest income	13,279
					Total general revenues	<u>13,279</u>
				479,072		479,072
				11,061,873		11,061,873
				16,795		16,795
				11,078,668		11,078,668
				<u>11,540,945</u>		<u>11,540,945</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2015

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$802,238	\$4,690,969	\$5,493,207
Accounts receivable	<u>8,285</u>	<u>0</u>	<u>8,285</u>
Total Assets	<u><u>\$810,523</u></u>	<u><u>\$4,690,969</u></u>	<u><u>\$5,501,492</u></u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	<u>773</u>	<u>15</u>	<u>788</u>
Total Liabilities	<u><u>773</u></u>	<u><u>15</u></u>	<u><u>788</u></u>
Fund balance:			
Restricted	0	4,690,954	4,690,954
Unassigned	<u>809,750</u>	<u>0</u>	<u>809,750</u>
Total Fund Balance	<u><u>809,750</u></u>	<u><u>4,690,954</u></u>	<u><u>5,500,704</u></u>
Total Liabilities and Fund Balance	<u><u>\$810,523</u></u>	<u><u>\$4,690,969</u></u>	<u><u>\$5,501,492</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Reconciliation of the Balance Sheet to the Statement of Net Position
of Government Activities

June 30, 2015

Amounts reported for fund balance - total governmental funds	\$ 5,500,704
Amounts reported for governmental activities in the statement of net position are different because the operating funds do not report:	
Investment in capital assets	6,253,132
Note receivable used in governmental activities is not a financial resource and, therefore is not reported in the funds	225,005
Pension related accounts - governmental funds do not record these post-benefit obligations	
Net pension position	4,953
Deferred outflow - pension	14,239
Deferred inflow - pension	(16,815)
Accrued interest	(17,442)
Long-term debt	<u>(422,831)</u>
Net position of governmental activities	\$ <u><u>11,540,945</u></u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances**

For the Year Ended June 30, 2015

	General Fund	Capital Project Fund	Total
Revenues:			
Rents	\$ 247,174	20,455	\$ 267,629
Grants-donations	4,980	79,652	84,632
TVA in-lieu-of tax	0	870,906	870,906
Interest income	838	12,441	13,279
Total Revenues	<u>252,992</u>	<u>983,454</u>	<u>1,236,446</u>
Expenditures:			
Personnel costs	159,946	0	159,946
Advertising	19,758	0	19,758
Rent	9,000	0	9,000
Professional services	25,541	19,048	44,589
Insurance	4,418	13,530	17,948
Utilities	10,740	4,135	14,875
Supplies	6,535	0	6,535
Meetings	7,776	0	7,776
Dues	6,826	0	6,826
Travel	13,689	0	13,689
Site development	0	502,300	502,300
Miscellaneous	2,499	98	2,597
Debt service	0	1,049,916	1,049,916
Capital outlay	0	0	0
Total Expenditures	<u>266,728</u>	<u>1,589,027</u>	<u>1,855,755</u>
Excess (deficiency) of revenues over expenditures	<u>(13,736)</u>	<u>(605,573)</u>	<u>(619,309)</u>
Other financing sources			
Operating transfer	<u>150,000</u>	<u>(150,000)</u>	<u>0</u>
Net change in fund Balance	<u>136,264</u>	<u>(755,573)</u>	<u>(619,309)</u>
Fund Balance, Beginning of year	673,486	5,446,527	6,120,013
Fund Balance, End of year	<u>809,750</u>	<u>4,690,954</u>	<u>5,500,704</u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds:	\$	(619,309)
Amounts reported for governmental activities in the statement of net position are different because:		
Operating funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		0
Depreciation expense		(152,582)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds		
Change in pension plan accrual		2,377
Expenditures reported in the fund financial statements that are reported as a note receivable in the government-wide financial statements		
Funding of the note receivable		245,460
Revenues reported in the statement of activities that are not reported in the governmental funds		
Proceeds for note payment payment		(20,455)
Expenses in the operating funds that reduce long-term liabilities are not reported in the statement.		
Change in accrued interest		44,779
Principal payments		<u>978,803</u>
Change in net position of governmental activities	\$	<u><u>479,072</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Reporting Entity:

The Four Regional Industrial Development Authority was created in 1986 under TCA 64-5-201. The Authority was created for “the purpose of developing the resources of the region embracing the Tennessee counties of Macon, Smith, Sumner, Trousdale and Wilson, including the coordination of the Authority’s development work with related activities and programs of the Tennessee Valley Authority and other federal, state and local planning and development agencies.

In evaluating the Authority as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Authority may be financially accountable and, as such, should be included within the Authority's financial statements. The Authority (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Authority. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority has no component units at yearend.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the Statement of Net Position and the Statement of Activities report information on all of the financial activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The Authority reports the following major funds:

General (Operating) Fund - The General (Operating) Fund is the general operating fund of the Authority. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources to be used for making improvements.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and a money market account. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Authority uses committed, assigned then unassigned funds.

Budget and Budgetary Accounting

Legislation requires that no later than October of each year "the Authority shall transmit to the Governor of the State of Tennessee a request and an amount of appropriation needed during the next fiscal year for Authority purposes including administration, operations and capital improvements, and appropriate justification for use of such appropriation". The Authority passes the budget and reviews its status at regular meetings.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Compensated Absences

No amounts are recorded for unused vacation and sick pay benefits as the Authority does not have a policy allowing any such benefits.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an individual cost of \$10,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Improvements	15-20 years
Buildings	40-50 years
Machinery and Equipment	5-10 years

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, 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 restricted – net position to have been depleted before unrestricted – net position is applied.

Estimates

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

Credit Risk

Financial instruments that potentially subject the Authority to significant concentrations of credit risk consist principally of cash and cash equivalents. The Authority places its cash with federally-insured financial institutions or institutions participating in the State collateral pool.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

Fund Balance

The Authority implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Authority approval can fund balance amounts be classified as committed or assigned. The Authority has restricted the TVA in-lieu-of-tax payments. TCA 67-9-102 restricts the funds to construction of roads, install water and waste water facilities and provide other public infrastructure.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for intergovernmental shared revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Pension

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

(2) Cash and Cash Equivalents

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Authority.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(3) Capital Assets

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	1,120,273	-	-	1,120,273
Building improvement	<u>6,415,418</u>	-	-	<u>6,415,418</u>
Total	<u>7,535,691</u>	<u>-</u>	<u>-</u>	<u>7,535,691</u>
 Accumulated depreciation	 <u>1,129,977</u>			 <u>1,282,559</u>
 Capital assets - net	 <u>6,405,714</u>			 <u>6,253,132</u>

All assets of the Authority except land is being depreciated. Depreciation expense was \$152,582 for the fiscal year end. Accumulated depreciation was \$1,282,559 for the industrial buildings and improvements.

(4) Long-term Debt

A summary of changes in long-term debt as presented in the government-wide financial statements is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Rural Development loan 4.125%	<u>1,401,634</u>	<u>-</u>	<u>978,803</u>	<u>422,831</u>

Principal and interest requirements to maturity on all outstanding loans and obligations as of June 30, 2015 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2016	132,474	17,442
2017	137,939	11,977
2018	143,629	6,287
2019	<u>8,789</u>	<u>327</u>
Total	<u>422,831</u>	<u>36,033</u>

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2015

(5) Pension Plan

General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated Title 8, Chapter 34-37 established 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 of after 30 years of service credit regardless of age. Benefits are determined by 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 (COLAs) 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. 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, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>3</u>
Total	<u>5</u>

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements, Continued

June 30, 2015

(5) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. 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 Authority were (\$14,239) based on a rate of (8.90%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept 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)

Authority's net pension liability (asset) was measured as of June 30, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.0 percent

Salary increases Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation averaging 4.25 percent.

Investment rate of return 7.5 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment 2.5 percent

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

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

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements, Continued

June 30, 2015

(5) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 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 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:

<i>Long-term Expected</i>		
<u>Asset class</u>	<u>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>
Total		<u>100%</u>

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(5) Pension, Continued

Changes in the Net Pension Liability (Asset)

		Increase (Decrease)		
	Total Pension Liability		Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)		(b)	(a) – (b)
Balance at 6/30/13	\$ 230,205	\$	199,614	\$ 30,591
Changes for the year:				
Service cost	4,848			4,848
Interest	17,276			17,276
Differences between expected and actual experience	(2,527)			(2,527)
Contributions- employer			13,796	(13,796)
Contributions- employees			7,401	(7,401)
Net investment income			34,058	(34,058)
Benefit payments, including refunds of employee contributions	(9,428)		(9,428)	-
Administrative expense			(114)	114
Net changes	10,169		45,713	(35,544)
Balance at 6/30/14	\$ 240,374	\$	245,327	\$ (4,953)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of 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>
Authority's net pension Liability (asset)	23,927	(4,953)	(29,603)

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(5) Pension, Continued

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

Pension income. For the year ended June 30, 2015, Authority recognized pension income of \$4,933.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Authority reported deferred outflows or 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	-	1,895
Net difference between projected and Actual earning on pension plan Investments		14,920
Contributions subsequent to the Measurement date of June 30, 2014	<u>14,239</u>	<u>-</u>
Total	<u>14,239</u>	<u>16,815</u>

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

Year Ended June 30:	
2016	(4,362)
2017	(4,362)
2018	(4,362)
2019	(3,730)

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

(6) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has elected to obtain an insurance policy to transfer risk to a commercial insurance company. Insurance settlements have not been in excess of insurance coverage in any of the prior three years.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2015

(7) Commitments and Contingencies

Economic Dependency

The Authority obtains a substantial amount of funds from the Tennessee Valley Authority. A significant reduction in the level of such support, if this were to occur, might affect the Authority's ability to carry out its programs and activities.

Litigation:

There are no pending lawsuits in which the Authority is involved which are significant to the financial statements.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

REQUIRED SUPPLEMENTARY
INFORMATION

Schedules of Required Supplementary Information

Schedule of Changes in Four Lake Regional Industrial Development Authority's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

		2014
Total pension liability		
Service cost	\$	4,848
Interest		17,276
Changes in benefit terms		-
Differences between actual & expected experience		(2,527)
Change of assumptions		-
Benefit payments, including refunds of employee contributions		(9,428)
Net change in total pension liability		10,169
Total pension liability-beginning		230,205
Total pension liability-ending (a)	\$	240,374
 Plan fiduciary net position		
Contributions-employer	\$	13,796
Contributions-employee		7,401
Net investment income		34,058
Benefit payments, including refunds of employee contributions		(9,428)
Administrative expense		(114)
Net change in plan fiduciary net position		45,713
Plan fiduciary net position-beginning		199,614
Plan fiduciary net position-ending (b)	\$	245,327
 Net Pension Liability (asset)-ending (a) – (b)	\$	(4,953)
 Plan fiduciary net position as a percentage of total pension liability		102.06%
 Covered-employee payroll	\$	148,026
 Net pension liability (asset) as a percentage of covered-employee payroll		3.35%

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

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**

2

For the Year Ended June 30, 2015

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	13,796	14,239
Contributions in relation to the actuarially determined contribution	<u>13,796</u>	<u>14,239</u>
Contribution deficiency (excess)	<u>\$13,796</u>	<u>\$14,239</u>
Covered-employee payroll	<u>148,026</u>	<u>135,353</u>
Contributions as a percentage covered-employee payroll	9.32%	10.50%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 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	2 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

SUPPLEMENTAL
INFORMATION

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Taxes:				
Rent building	\$155,850	\$155,850	\$247,174	91,324
Other income	1,500	1,500	5,818	4,318
Total Taxes	<u>157,350</u>	<u>157,350</u>	<u>252,992</u>	<u>95,642</u>
Expenditures:				
Personnel costs	170,500	169,200	159,946	(9,254)
Advertising	20,000	20,000	19,758	(242)
Rent	9,000	9,000	9,000	0
Professional services	27,845	25,545	25,541	(4)
Insurance	4,650	4,650	4,418	(232)
Utilities	11,000	11,000	10,740	(260)
Supplies	7,200	7,200	6,535	(665)
Meetings	7,000	8,000	7,776	(224)
Dues	6,500	7,000	6,826	(174)
Travel	12,000	14,000	13,689	(311)
Miscellaneous	2,500	2,600	2,499	(101)
Total Expenditures	<u>278,195</u>	<u>278,195</u>	<u>266,728</u>	<u>(11,467)</u>
Excess (deficiency) of revenues over expenditures	<u>(120,845)</u>	<u>(120,845)</u>	<u>(13,736)</u>	<u>107,109</u>
Other financing sources				
Operating transfer	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>
Net change in fund Balance	<u>29,155</u>	<u>29,155</u>	<u>136,264</u>	<u>107,109</u>
Fund Balance, Beginning of year	673,486	673,486	673,486	0
Fund Balance, End of year	<u><u>702,641</u></u>	<u><u>702,641</u></u>	<u><u>809,750</u></u>	<u><u>107,109</u></u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Capital Projects Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Grants	0	0	79,652	79,652
Rents	0	0	20,455	20,455
TVA in-lieu-of tax	987,880	987,880	870,906	(116,974)
Interest income	41,012	41,012	12,441	(28,571)
Total Taxes	<u>1,028,892</u>	<u>1,028,892</u>	<u>983,454</u>	<u>(45,438)</u>
Expenditures:				
Professional services	50,000	50,000	19,048	(30,952)
Insurance	0	15,000	13,530	(1,470)
Utilities	0	5,000	4,135	(865)
Site development	2,406,283	1,485,283	502,300	(982,983)
Miscellaneous	0	1,000	98	(902)
Debt service	149,916	1,049,916	1,049,916	0
Capital outlay	0	0	0	0
Total Expenditures	<u>2,606,199</u>	<u>2,606,199</u>	<u>1,589,027</u>	<u>(1,017,172)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,577,307)</u>	<u>(1,577,307)</u>	<u>(605,573)</u>	<u>971,734</u>
Other financing sources				
Operating transfer	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>0</u>
Net change in fund Balance	<u>(1,727,307)</u>	<u>(1,727,307)</u>	<u>(755,573)</u>	<u>971,734</u>
Fund Balance, Beginning of year	5,446,527	5,446,527	5,446,527	0
Fund Balance, End of year	<u><u>3,719,220</u></u>	<u><u>3,719,220</u></u>	<u><u>4,690,954</u></u>	<u><u>971,734</u></u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Schedule of State Financial Assistance

For the Year Ended June 30, 2015

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2014	Grant Receipts	Reimbursements	Grant Expenditures	Receivable (Deferred) Balance June 30, 2015
N/A	N/A	Industrial development Dock	State of Tennessee Department of Economic and Community Dev.	0	50,000	0	50,000	0
		Total State Program		0	50,000	0	50,000	0

State Program:

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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

Board of Directors
Four Lake Regional Industrial Development Authority
Hartsville, Tennessee

I have audited 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, the financial statements of the governmental activities and each major fund of the Four Lake Regional Industrial Development Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Four Lake Regional Industrial Development Authority's basic financial statements, and have issued a report thereon dated August 31, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Four Lake Regional Industrial 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Four Lake Regional Industrial Development Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Four Lake Regional Industrial Development Authority's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2012-001 Lack of Segregation of Duties).

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 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. A material weakness is a deficiency, or 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. I consider the deficiency described below (2012-001) to be a material weakness.

The material weakness is as follows:

2012-001 Separation of Duties

Due to the limited number of personnel employed by the Authority, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the Authority strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Four Lake Regional Industrial Development Authority's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Four Lake Regional Industrial Development Authority's response to the finding identified in the audit is described above. Four Lake Regional Industrial Development Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

John R. Poole, CPA

August 31, 2015

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Schedule of Disposition of Prior Year Comments

June 30, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2012-001	Separation of Duties	Continues

**FOUR LAKE REGIONAL INDUSTRIAL
DEVELOPMENT AUTHORITY**

Annual Financial Report

For the Year Ended June 30, 2016

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

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INTRODUCTORY SECTION

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Schedule of Officers

June 30, 2016

<u>Official</u>	<u>Title</u>
Anthony Holt	Chairman
Michael Nesbitt	Vice Chairman
Carrol Carman	Secretary/Treasurer
Sabra Hodge	Board Member
Mae Perry	Board Member
Steve Jones	Board Member
Randall Hutto	Board Member
<u>Official</u>	<u>Title</u>
Charly Lyons	Executive Director
Teresa Carman	Office Manager

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
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(615) 822-4177

Independent Auditor's Report

Board of Directors
Four Lake Regional Industrial Development Authority
Hartsville, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of the Four Lake Regional Industrial Development Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Four Lake Regional Industrial Development 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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds of the Four Lake Regional Industrial Development Authority as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan 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 Authority 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. I 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Four Lake Regional Industrial Development Authority's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2016 on the consideration of the Four Lake Regional Industrial Development Authority's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

John R Poole, CPA

October 31, 2016

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

The discussion and analysis of Four Lake Regional Industrial Development Authority's financial performance provides an overall narrative review of the Authority's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the Authority's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance his or her understanding of the Authority's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this Authority's financial statements, notes to financial statements, and any accompanying materials. To the extent this discussion contains any forward-looking statements of the Authority's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

AUTHORITY OVERVIEW

Creation: As a result of the impact of TVA's discontinuation of the Hartsville nuclear power plant construction project, the Four Lake Regional Industrial Development Authority was created by public act of the State Legislature on April 15, 1986. Enabling legislation states that the Authority was "created and established for the purpose of developing the resources of the region embracing the counties of Macon, Smith, Sumner, Trousdale and Wilson". More specifically, the Authority "is directed to focus its activity toward economic development and improving employment opportunities in the region". In 1988 the Authority contracted staff.

History: In consideration of the established purpose of the Authority and its limited TVA and State grant funding, Four Lake began operating a business incubator program in 1989 utilizing vacant warehouses at the Hartsville TVA site. The buildings were offered to business start-ups/expansions at below average rental rates under a Lease/Sub-Lease arrangement between TVA (receiving 80% of lease revenues) and the Four Lake Authority (retaining 20% of lease revenues).

On June 27, 2002, the Authority purchased 554 acres located within the TVA/Hartsville Distribution Center (discontinued nuclear site) from TVA for \$1.7 million. Through a USDA/Rural Development Loan, infrastructure improvements were initiated immediately, including a 750,000-gallon water storage tank, as well as new water/sewer/natural gas lines installed to the mid-point of the newly-purchased property. Beginning in 2003, with funding from annual TVA In-Lieu-of-Tax grants, projects commenced to develop the site into a viable business/industrial center in hopes of employing workers from the entire five-county region. For marketing purposes, the property was branded "PowerCom Industrial Center" with identifying logo and illuminated directional signs from State Hwy 25 into the site. In addition, ECD Special Appropriation Grants and TVA/Special Opportunities County Grants have funded other improvements/upgrades including: a 54,000 square foot Spec. Building (March, 2008); tenant specific electrical upgrades; roadways within the site named and marked; all buildings identified with specialty-designed 911 address signs; utility upgrades/ installation for the CCA project; rehab (paint, new dock doors, trim, structural repairs, etc.) of eight warehouse buildings, one office trailer, and a 700' dock in the forward section (Village One) of the site; surveying and marking outer boundaries of the PowerCom site with 200 angle iron posts & 10 eight foot "Four Lake" iron markers; additional fencing and security gate dividing Village One and Village Two; upgrade of the site's electrical systems to establish dual-feed throughout the site with backup from a rehabbed electrical sub-station located on the adjacent TVA property; water-line extensions to the lower section of the site (Village Two), as well as the installation of taps & meters for current tenants; substantial clearing of the site; and recurring maintenance – bush hogging, roof and road repairs, etc.

Corrections Corporation of America (CCA) purchased 108 acres of the PowerCom Industrial Center on April 22, 2008. Construction was halted indefinitely on the planned 2,040 medium-security bed facility that, when operational, would create much-needed employment - a minimum of 350 persons. (See update on this project below.)

Beginning July 1, 2011, Four Lake was placed in "wind-down" status and restructuring efforts began to satisfy specific concerns of Legislators. In December 2011, a new grant program was established that allocated \$20,000 for each of Four Lake's five counties. The grant funds were designated as "Off-Site Development" from the Capital Projects fund. Guidelines were created to limit the funds to economic development & job-creating projects that require Board approval. An amendment to Four Lake's Enabling Legislation became effective July 1, 2012 that replaced the 21-member Board and Executive Committee with a single-governing, seven-member Board of Directors. The new Board is comprised of the five County Mayors/Executive, one member appointed by the Senate, and one member appointed by the House.

Legislators approved Four Lake's Sunset extension and funding for an additional four years. Highlights of the fiscal year include: A TVA/Economic Development lead project, ARC Automotive (aka Project Scarecrow) was vigorously recruited for many months by the Four Lake Authority which resulted in an announcement on May 27, 2014, that PowerCom Industrial Center/Trousdale County had been selected as their expansion site for 66 new manufacturing jobs. The CCA project was reactivated in early 2014 with a \$140 million budget and a date of operation scheduled for January 3, 2016. In March, 2014, V&C Manufacturing/Christy's purchased the 54,000sf Spec Building and contiguous five acres. Installation of fiber optics through the PowerCom Industrial Center was completed with the assistance of a State of Tennessee ECD grant, including connecting the Four Lake office with security cameras and remote access to the security gate. TDEC and the Corps of Engineers granted a permit for dredging the harbor at the Cumberland River barge access in the PowerCom Industrial Center and a Port Feasibility Study was initiated. Four Lake was awarded \$37,350 in economic development grant funds.

CCA had a groundbreaking on October 3, 2014 for the Turner-Trousdale Correctional Center. ARC broke ground on site development of fifty acres leased in PowerCom Industrial Center. The Four Lake Authority facilitated a FastTrack Infrastructure grant with the State of Tennessee and Trousdale County for \$290,000.00 to extend water and sewer to the ARC Automotive site. Four Lake Authority was awarded an InvestPrep grant from TVA to develop a 20-acre site within PowerCom Industrial Center for an industrial building. A \$50,000.00 grant was received from the State of Tennessee's Dept. of ECD for a flood plain study and dock site improvements. In March 2015, the Tennessee Department of Transportation committed a State Industrial Access grant for \$1.6M in PowerCom to improve and build a direct road to the ARC and CCA facilities with Four Lake committing \$400,000.00 for engineering and construction funding. Plus, the staff launched a new web site and marketing program for the Tennessee Central Economic Alliance (www.tennesseecentral.org). Lastly, the Four Lake staff was added to the State of Tennessee Deferred Compensation Plan II - 401(k).

As of June 30, 2016, Four Lake was leasing 22 buildings totaling 218,700 square feet to twenty-two businesses employing approximately 532 persons.

Current: The 2015-2016 fiscal year has seen continuous development in the PowerCom Industrial Center and progressive activity in the region.

The Turner/Trousdale CCA facility was opened in January 2016 and ARC completed the three buildings to initiate the proposed ten building campus.

The Four Lake Authority invested \$543,587.52 in the TDOT SIA Road for PowerCom Industrial Center with \$400,000.00 being cash to TDOT. The bid letting will be in August of 2016 by TDOT.

A Masterplan on PowerCom Industrial Center including the dock/port located on the Cumberland River was completed and presented to the Board on April 11, 2016.

The twenty-acre site has been improved by removing over 200,000 SF of concrete and grading the site to be shovel ready. A second site was initiated by selling and removing metal buildings to prepare a ten-acre site.

The State of Tennessee Legislator's approved the name change of the Four Lake Regional Industrial Development Authority to the Tennessee Central Economic Authority Tennessee Code Annotated Section 4-29-239 (64-5-201) effective July 1, 2016.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. Net position may serve over time as a useful indicator of government's financial position. In the case of the Authority, assets exceeded liabilities by \$11,337,610 as of June 30, 2016. The largest portion of the Authority's Net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its member counties, as well as develop and market the PowerCom Industrial Center.

The Authority's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the Authority's Net position for the fiscal year ended June 30, 2016:

Current assets	\$5,517,527
Capital assets, net	<u>6,100,550</u>
Total Assets	11,618,077
Deferred outflows	26,471
Current liabilities	9,863
Long-term debt outstanding	<u>284,622</u>
Total Liabilities	294,485
Deferred inflows	12,453
Net position:	
Net Investment in capital assets	5,815,928
Restricted	4,395,119
Unrestricted	<u>1,126,563</u>
Total Net position	11,337,610

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of Net position presents information on all the Authority's assets and liabilities, with the difference between the two reported as Net position. Over time, increases or decreases in Net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's Net position changed during the most recent fiscal year. All changes in Net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the Authority that are principally supported by TVA In-Lieu-of-Tax revenues, property rent revenues, and intergovernmental grants.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are governmental.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, general fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's current financing requirements. General Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The General Fund Statements provide a detailed short-term view of the Authority's operations.

Because the focus of general funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for general funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's current financing decisions. Both the governmental funds balance sheet and the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's budget process.

The Authority adopts an annual operating budget for all general funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

Changes in Net position. The Authority's total revenues for the fiscal year ended June 30, 2016 was \$1,344,796. The total cost of all programs and services was \$1,548,131. The following table presents a summary of the changes in Net position for the fiscal year ended June 30, 2016.

Revenues:	
General Fund	\$269,668
Capital Projects Fund	<u>1,075,128</u>
Total revenues	1,344,796
Expenses:	
General Fund Expenses	275,835
Capital Projects Expenses	<u>1,272,296</u>
Total expenses	1,548,131
Change in Net position	\$(203,335)

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Authority's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

The financial performance of the Authority as a whole is reflected in its governmental funds. As the Authority completed the year, its governmental funds reported a combined fund balance of \$5,321,980, a decrease over last year of \$178,724, due to site improvements expense of \$1,127,541.

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the Authority's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the Authority's total capital assets were \$6,100,550, including buildings and equipment. Total accumulated depreciation as of June 30, 2016 was \$1,416,165 and total depreciation expense for the year was \$152,582.

Debt Administration. At year end, the Authority had revenue bonds in the amount of \$284,622, a debt reduction of \$138,209 from last fiscal year.

CURRENT ISSUES

The Authority's *primary endeavor has always been* to proceed responsibly & methodically in all activities with the utmost integrity and respect for the public's funds & trust, as well as for the benefit of its five-county region as a whole, without preference. The Authority's financial status is stable and continues to improve. The Authority has achieved full support of its legislative representatives, as well as the State Funding Board with the Authority's Sunset status and funding extension through June 30, 2018.

Contacting the Authority's Financial Management:

If you have questions regarding this report, you may contact the Executive Director, Charly Lyons, at 702 McMurry Blvd.; Hartsville, TN 37074 or by phone at 615-374-4607. Additional information regarding the Four Lake Authority can be found at its website: www.tennesseecentral.org

BASIC FINANCIAL STATEMENTS

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY
Statement of Net Position
June 30, 2016

Assets	Total
Cash and cash equivalents	\$5,314,796
Accounts receivable	7,760
Notes receivable	194,322
Net pension asset	649
Capital assets, not depreciated	1,120,273
Capital assets, net of accumulated depreciation	4,980,277
Total Assets	\$11,618,077
Deferred outflows - pension	\$26,471
Liabilities	
Accounts payable	9,863
Long term debt:	
Due in less than a year	140,629
Due in more than a year	143,993
Total Liabilities	294,485
Deferred Inflows	
Deferred inflows - pension	12,453
Total Deferred Inflows	12,453
Net Position:	
Net investment in capital assets	5,815,928
Restricted - pension	14,667
Restricted for property improvements	4,380,452
Unrestricted	1,126,563
Total Net Position	\$11,337,610

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2016

<u>Function/Programs</u>	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Industrial Park	275,835	234,667	2,000	0	(39,168)	(39,168)
Capital Improvements	1,272,296	0	1,058,212	0	(214,084)	(214,084)
Total Governmental Activities	<u>1,548,131</u>	<u>234,667</u>	<u>1,060,212</u>	<u>0</u>	<u>(253,252)</u>	<u>(253,252)</u>
General Revenues:						
					35,001	35,001
					14,916	14,916
					<u>49,917</u>	<u>49,917</u>
Changes in net position						
					(203,335)	(203,335)
Net position - beginning of year						
					11,540,945	11,540,945
Net position - ending of year						
					<u>11,337,610</u>	<u>11,337,610</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2016

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$934,344	\$4,380,452	\$5,314,796
Accounts receivable	<u>7,760</u>	<u>0</u>	<u>7,760</u>
Total Assets	<u>\$942,104</u>	<u>\$4,380,452</u>	<u>\$5,322,556</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	<u>576</u>	<u>0</u>	<u>576</u>
Total Liabilities	<u>576</u>	<u>0</u>	<u>576</u>
Fund balance:			
Restricted	0	4,380,452	4,380,452
Unassigned	<u>941,528</u>	<u>0</u>	<u>941,528</u>
Total Fund Balance	<u>941,528</u>	<u>4,380,452</u>	<u>5,321,980</u>
Total Liabilities and Fund Balance	<u>\$942,104</u>	<u>\$4,380,452</u>	<u>\$5,322,556</u>

The notes accompanying the financial statements are an integral part of these financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Reconciliation of the Balance Sheet to the Statement of Net Position
of Government Activities

June 30, 2016

Amounts reported for fund balance - total governmental funds	\$ 5,321,980
Amounts reported for governmental activities in the statement of net position are different because the operating funds do not report:	
Investment in capital assets	6,100,550
Note receivable used in governmental activities is not a financial resource and, therefore is not reported in the funds	194,322
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension asset	649
Deferred outflow - pension	26,471
Deferred inflow - pension	(12,453)
Accrued interest	(9,287)
Long-term debt	<u>(284,622)</u>
Net position of governmental activities	\$ <u><u>11,337,610</u></u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances**

For the Year Ended June 30, 2016

	General Fund	Capital Project Fund	Total
Revenues:			
Rents	\$ 265,350	30,683	\$ 296,033
Grants-donations	2,000	176,583	178,583
TVA in-lieu-of tax	0	881,629	881,629
Property sales	0	35,001	35,001
Interest income	2,554	12,362	14,916
Total Revenues	<u>269,904</u>	<u>1,136,258</u>	<u>1,406,162</u>
Expenditures:			
Personnel costs	168,040	0	168,040
Marketing	21,706	0	21,706
Rent	9,000	0	9,000
Professional services	27,791	7,991	35,782
Insurance	4,539	7,255	11,794
Utilities	9,070	2,726	11,796
Supplies	13,481	0	13,481
Meetings	10,446	0	10,446
Dues	6,065	0	6,065
Travel	16,638	0	16,638
Site development	0	1,127,541	1,127,541
Miscellaneous	1,350	1,331	2,681
Debt service	0	149,916	149,916
Capital outlay	0	0	0
Total Expenditures	<u>288,126</u>	<u>1,296,760</u>	<u>1,584,886</u>
Excess (deficiency) of revenues over expenditures	<u>(18,222)</u>	<u>(160,502)</u>	<u>(178,724)</u>
Other financing sources			
Operating transfer	<u>150,000</u>	<u>(150,000)</u>	<u>0</u>
Net change in fund Balance	<u>131,778</u>	<u>(310,502)</u>	<u>(178,724)</u>
Fund Balance, Beginning of year	809,750	4,690,954	5,500,704
Fund Balance, End of year	<u>941,528</u>	<u>4,380,452</u>	<u>5,321,980</u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities**

For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds:	\$	(178,724)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Operating funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Acquisition of capital assets		0
Depreciation expense		(152,582)
<p>Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds</p>		
Change in pension plan accrual		12,291
<p>Revenues reported in the statement of activities that are not reported in the governmental funds</p>		
Proceeds for note payment payment		(30,683)
<p>Expenses in the operating funds that reduce long-term liabilities are not reported in the statement.</p>		
Change in accrued interest		8,155
Principal payments		<u>138,209</u>
Change in net position of governmental activities	\$	<u><u>(203,335)</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

Reporting Entity:

The Four Lake Regional Industrial Development Authority was created in 1986 under TCA 64-5-201. The Authority was created for “the purpose of developing the resources of the region embracing the Tennessee counties of Macon, Smith, Sumner, Trousdale and Wilson, including the coordination of the Authority’s development work with related activities and programs of the Tennessee Valley Authority and other federal, state and local planning and development agencies.

In evaluating the Authority as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Authority may be financially accountable and, as such, should be included within the Authority's financial statements. The Authority (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Authority. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority has no component units at yearend.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the Statement of Net Position and the Statement of Activities report information on all of the financial activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (I) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The Authority reports the following major funds:

General (Operating) Fund - The General (Operating) Fund is the general operating fund of the Authority. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources to be used for making improvements.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and a money market account. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used, the Authority uses committed, assigned then unassigned funds.

Budget and Budgetary Accounting

Legislation requires that no later than October of each year "the Authority shall transmit to the Governor of the State of Tennessee a request and an amount of appropriation needed during the next fiscal year for Authority purposes including administration, operations and capital improvements, and appropriate justification for use of such appropriation". The Authority passes the budget and reviews its status at regular meetings.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Compensated Absences

No amounts are recorded for unused vacation and sick pay benefits as the Authority does not have a policy allowing any such benefits.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an individual cost of \$10,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Improvements	15-20 years
Buildings	40-50 years
Machinery and Equipment	5-10 years

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, 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 restricted – net position to have been depleted before unrestricted – net position is applied.

Estimates

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

Credit Risk

Financial instruments that potentially subject the Authority to significant concentrations of credit risk consist principally of cash and cash equivalents. The Authority places its cash with federally-insured financial institutions or institutions participating in the State collateral pool.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

Fund Balance

The Authority implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board of the Authority approval can fund balance amounts be classified as committed or assigned. The Authority has restricted the TVA in-lieu-of-tax payments. TCA 67-9-102 restricts the funds to construction of roads, install water and waste water facilities and provide other public infrastructure.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies (pension) for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies (pension) for reporting in this category.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Pension

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

(2) Cash and Cash Equivalents

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Authority. Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage (FDIC).

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(3) Capital Assets

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Land	1,120,273	-	-	1,120,273
Building improvement	6,415,418	-	18,976	6,396,442
Total	<u>7,535,691</u>	<u>-</u>	<u>18,976</u>	<u>7,516,715</u>
 Accumulated depreciation	 1,282,559			 1,416,165
 Capital assets - net	 <u>6,253,132</u>			 <u>6,100,550</u>

All assets of the Authority except land is being depreciated. Depreciation expense was \$152,582 for the fiscal year end. Accumulated depreciation was \$1,416,165 for the industrial buildings and improvements.

(4) Long-term Debt

A summary of changes in long-term debt as presented in the government-wide financial statements is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Rural Development loan 4.125%	422,831	-	138,209	284,622

Principal and interest requirements to maturity on all outstanding loans and obligations as of June 30, 2016 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2017	140,629	9,287
2018	<u>143,993</u>	<u>5,923</u>
Total	<u>284,622</u>	<u>15,210</u>

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2016

(5) Pension Plan

General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated Title 8, Chapter 34-37 established 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 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 (COLAs) 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. 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	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>3</u>
Total	<u>6</u>

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements, Continued

June 30, 2016

(5) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. 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 (\$14,239) based on a rate of (10.52%) percent 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)

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.

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.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements, Continued

June 30, 2016

(5) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 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 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:

<i>Long-term Expected</i>		
<u>Asset class</u>	<u>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>
Total		<u>100%</u>

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(5) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 6/30/14	\$240,374	\$245,327	(\$4,953)
Changes for the year:			
Service cost	\$10,886		\$10,886
Interest	\$18,401		\$18,401
Differences between expected and actual experience	\$3,540		\$3,540
Contributions-employer		\$14,239	(\$14,239)
Contributions-employees		\$6,768	(\$6,768)
Net investment income		\$7,668	(\$7,668)
Benefit payments, including refunds of employee contributions	(\$11,821)	(\$11,821)	-
Administrative expense		(\$152)	\$152
Other changes		-	-
Net changes	\$21,006	\$16,702	\$4,304
Balance at 6/30/15	\$261,380	\$262,029	(\$649)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of 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>
Authority's net pension Liability (asset)	23,927	(4,953)	(29,603)

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

(5) Pension, Continued

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

Pension income. For the year ended June 30, 2016, Authority recognized pension expense of \$2,670.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Authority reported deferred outflows or 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	2,655	1,263
Net difference between projected and Actual earning on pension plan Investments	8,856	11,190
Contributions subsequent to the Measurement date of June 30, 2014	<u>14,960</u>	<u>-</u>
Total	<u>26,471</u>	<u>12,453</u>

The amounts shown above for ‘Contributions subsequent to the measurement date of June 30 2015’, will be recognized as a reduction (increase) to net position 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	(1,263)
2018	(1,263)
2019	(631)
2020	2,214

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

(6) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has elected to obtain an insurance policy to transfer risk to a commercial insurance company. Insurance settlements have not been in excess of insurance coverage in any of the prior three years.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Notes to Financial Statements

June 30, 2016

(7) Commitments and Contingencies

Economic Dependency

The Authority obtains a substantial amount of funds from the Tennessee Valley Authority. A significant reduction in the level of such support, if this were to occur, might affect the Authority's ability to carry out its programs and activities.

Litigation:

There are no pending lawsuits in which the Authority is involved which are significant to the financial statements.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

(8) Name Change

Effective July 1, 2016 the Four Lake Regional Industrial Development Authority changed their name to Tennessee Central Economic Authority.

REQUIRED
SUPPLEMENTARY
INFORMATION

Schedules of Required Supplementary Information

Schedule of Changes in Four Lake Regional Industrial Development Authority's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2014	2015
Total pension liability (asset)		
Service cost	\$4,848	\$10,886
Interest	\$17,276	\$18,401
Changes in benefit terms	-	-
Differences between actual & expected experience	(\$2,527)	\$3,540
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(\$9,428)	(\$11,821)
Net change in total pension liability (asset)	\$10,169	\$21,006
Total pension liability (asset)-beginning	\$230,205	\$240,374
Total pension liability (asset)-ending (a)	\$240,374	\$261,380
 Plan fiduciary net position		
Contributions-employer	\$13,796	\$14,239
Contributions-employee	\$7,401	\$6,768
Net investment income	\$34,058	\$7,668
Benefit payments, including refunds of employee contributions	(\$9,428)	(\$11,821)
Administrative expense	(\$114)	(\$152)
Other	-	-
Net change in plan fiduciary net position	\$45,713	\$16,702
 Plan fiduciary net position-beginning	\$199,614	\$245,327
Plan fiduciary net position-ending (b)	\$245,327	\$262,029
 Net Pension Liability (asset)-ending (a) – (b)	(\$4,953)	(\$649)
 Plan fiduciary net position as a percentage of total pension liability	102.06%	100.25%
 Covered payroll	\$148,026	\$135,353
 Net pension liability (asset) as a percentage of covered payroll	(3.35)%	(0.48)%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Years will added to this schedule in future fiscal years until 10 years of information is available.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**

For the Year Ended June 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	13,796	14,239	14,960
Contributions in relation to the actuarially determined contribution	<u>13,796</u>	<u>14,239</u>	<u>14,960</u>
Contribution deficiency (excess)	<u>\$13,796</u>	<u>\$14,239</u>	<u>\$14,960</u>
 Covered-employee payroll	 <u>148,026</u>	 <u>135,353</u>	 <u>142,202</u>
Contributions as a percentage covered-employee payroll	9.32%	10.50%	10.50%

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

Notes to Schedule

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	2 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
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

SUPPLEMENTAL
INFORMATION

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Taxes:				
Rent building	\$155,850	\$155,850	\$265,350	109,500
TVA grant	0	0	2,000	2,000
Other income	700	700	2,554	1,854
Total Taxes	<u>156,550</u>	<u>156,550</u>	<u>269,904</u>	<u>113,354</u>
Expenditures:				
Personnel costs	168,810	168,810	168,040	(770)
Marketing	24,000	24,000	21,706	(2,294)
Rent	9,000	9,000	9,000	0
Professional services	28,845	28,845	27,791	(1,054)
Insurance	4,650	4,650	4,539	(111)
Utilities	11,000	11,000	9,070	(1,930)
Supplies	14,852	14,852	13,481	(1,371)
Meetings	11,500	11,500	10,446	(1,054)
Dues	7,000	7,000	6,065	(935)
Travel	18,000	18,000	16,638	(1,362)
Miscellaneous	3,000	3,000	1,350	(1,650)
Total Expenditures	<u>300,657</u>	<u>300,657</u>	<u>288,126</u>	<u>(12,531)</u>
Excess (deficiency) of revenues over expenditures	<u>(144,107)</u>	<u>(144,107)</u>	<u>(18,222)</u>	<u>125,885</u>
Other financing sources				
Operating transfer	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>
Net change in fund Balance	<u>5,893</u>	<u>5,893</u>	<u>131,778</u>	<u>125,885</u>
Fund Balance, Beginning of year	809,750	809,750	809,750	0
Fund Balance, End of year	<u><u>815,643</u></u>	<u><u>815,643</u></u>	<u><u>941,528</u></u>	<u><u>125,885</u></u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Capital Projects Fund

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Grants	176,594	176,594	176,583	(11)
Rents	30,683	30,683	30,683	0
TVA in-lieu-of tax	850,000	850,000	881,629	31,629
Property sales	0	0	35,001	35,001
Interest income	13,000	13,000	12,362	(638)
Total Taxes	<u>1,070,277</u>	<u>1,070,277</u>	<u>1,136,258</u>	<u>65,981</u>
Expenditures:				
Professional services	52,500	52,500	7,991	(44,509)
Insurance	12,000	12,000	7,255	(4,745)
Utilities	10,000	10,000	2,726	(7,274)
Site development	2,227,619	2,227,619	1,127,541	(1,100,078)
Miscellaneous	1,000	1,000	1,331	331
Debt service	149,916	149,916	149,916	0
Capital outlay	228,880	228,880	0	(228,880)
Total Expenditures	<u>2,681,915</u>	<u>2,681,915</u>	<u>1,296,760</u>	<u>(1,385,155)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,611,638)</u>	<u>(1,611,638)</u>	<u>(160,502)</u>	<u>1,451,136</u>
Other financing sources				
Operating transfer	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>0</u>
Net change in fund Balance	<u>(1,761,638)</u>	<u>(1,761,638)</u>	<u>(310,502)</u>	<u>1,451,136</u>
Fund Balance, Beginning of year	4,690,954	4,690,954	4,690,954	0
Fund Balance, End of year	<u><u>2,929,316</u></u>	<u><u>2,929,316</u></u>	<u><u>4,380,452</u></u>	<u><u>1,451,136</u></u>

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Schedule of State Financial Assistance

For the Year Ended June 30, 2016

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Defered) Balance July 1, 2015	Grant Receipts	Reimbursements	Grant Expenditures	Receivable (Defered) Balance June 30, 2016
N/A	N/A	Industrial development	State of Tennessee Department of Economic and Community Dev.	0	81,989	0	81,989	0
N/A	N/A	FastTrack	State of Tennessee Department of Economic and Community Dev.	0	18,000	0	18,000	0
N/A	N/A	Site development	Tennessee Valley Authority	0	78,594	0	78,594	0
		Total State Program		0	178,583	0	178,583	0

State Program:

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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

Board of Directors
Four Lake Regional Industrial Development Authority
Hartsville, Tennessee

I have audited 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, the financial statements of the governmental activities and each major fund of the Four Lake Regional Industrial Development Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Four Lake Regional Industrial Development Authority's basic financial statements, and have issued a report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Four Lake Regional Industrial 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Four Lake Regional Industrial Development Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Four Lake Regional Industrial Development Authority's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2012-001 Lack of Segregation of Duties).

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 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. A material weakness is a deficiency, or 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. I consider the deficiency described below (2012-001) to be a material weakness.

The material weakness is as follows:

2012-001 Separation of Duties

Due to the limited number of personnel employed by the Authority, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the Authority strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Four Lake Regional Industrial Development Authority's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Four Lake Regional Industrial Development Authority's response to the finding identified in the audit is described above. Four Lake Regional Industrial Development Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

John R Poole, CPA

October 31, 2016

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Schedule of Disposition of Prior Year Comments

June 30, 2016

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2012-001	Separation of Duties	Continues