TENNESSEE STATE FUNDING BOARD
November 19, 2015
(Reconvened from November 13, 2015)
2 p.m./Legislative Plaza (Room LP-29)

AGENDA

1. Reconvene Meeting from November 13, 2015

2. Staff Recommendation of Consensus State Revenue Projections

3. Staff Recommendation of Consensus Lottery Revenue Projections

4. Acknowledge receipt of notification from the Tennessee Education Lottery Corporation pursuant to Tennessee Code Annotated 4-51-111(a)(3)

5. Report from the Department of Economic and Community Development:

   a. For approval of funding for the following projects:

      - **Advanced Munitions International Holdings, LLC (AMI) – Alcoa (Blount Co.)**
        FastTrack Economic Development $6,050,000

      - **Allied Dispatch Solutions – Johnson City (Washington Co.)**
        FastTrack Economic Development $ 962,000

      - **Eagle Bend Manufacturing, Inc. – Clinton (Anderson Co.)**
        FastTrack Job Training Assistance $ 92,075
        FastTrack Infrastructure Development $ 764,500

      - **Orgill, Inc. – Collierville (Shelby Co.)**
        FastTrack Economic Development $2,000,000

      - **Wonder Porcelain Group – Mount Juliet (Wilson Co.)**
        FastTrack Economic Development $2,200,000

   b. For additional disclosure on the following projects:

      - **Jackson Kayak, Inc. – Sparta (White Co.)**
      - **TeamHealth, Inc. – Louisville (Blount Co.)**

6. Report From 4L/Tennessee Central Economic Alliance
   Charly Lyons, 4L Executive Director
   Mr. Anthony Holt, 4L/Tennessee Central Board Chairman & Sumner County Executive

7. Report on Commercial Paper Program

8. Report on the results of the sale of General Obligation Bonds, 2015 Series A and 2015 Refunding Series B

9. Submission of the Report on Debt Obligation (CT-0253) for the 2015 Bond Sale

10. Annual review of Tennessee State Funding Board's Debt Management Policy

11. Consideration and approval of a "Resolution Allocating from the Debt Service Fund to the Capital Projects Fund $1,400,0000 and Cancelling Authorized Bonds"

12. Consideration and approval of a "Resolution Allocating from the Internal Service Fund to the Capital Projects Fund $3,480,0000 and Cancelling Authorized Bonds"

13. Adjourn

TENNESSEE

November 13, 2015

Honorable Bill Haslam, Governor of the State of Tennessee
Tre Hargett, Secretary of State
David H. Lillard, Jr., Treasurer
Justin P. Wilson, Comptroller
Larry Martin, Commissioner of Finance & Administration

Re: Net Lottery Proceeds for Fiscal Year 2016

Dear State Funding Board Members:

The Tennessee Education Lottery Corporation ("TEL") has as its statutory mission responsibility to maximize the dollars available for the education programs funded by the corporation. The Tennessee Education Lottery Implementation Law at TCA §4-51-111(a)(3) provides the corporation with the ability to make a determination that returning a specific percentage of sales as net proceeds (35%) would not result in the maximum dollars of net proceeds being achieved.

The TEL is hereby providing notification of its determination that an amount that maximizes net lottery proceeds to the State of Tennessee Lottery for Education Account is less than thirty-five percent (35%) of lottery proceeds for fiscal year 2016. The amount currently projected for the fiscal year ranges from $342 million to $350 million. The reasons for this determination are as follows:

1. As you may know, the TEL offers two types of lottery products—instant tickets (games in which players can instantly view the symbols printed and determine if they won a prize) and terminal based drawing-style games (games in which a player must wait until a drawing is held to determine if the ticket is a winner). Instant tickets are more popular with Tennessee players and are projected to represent 83.5% of the TEL's gross sales in the 2016 fiscal year. In fact, throughout the lottery industry, instant ticket sales have steadily grown over the most recent fiscal years, while drawing-style games have remained stagnant.

   One of the reasons for the growth in instant ticket sales is that the product offers players more price point options, from $1 to $25 in Tennessee (and as much as $75 in other jurisdictions), compared to drawing-style games which offer price points of generally $.50 to $2 per play. With the variable instant game price points, players are able to choose the entertainment value based on the price point of the ticket. A higher price point game generally offers higher entertainment value through the increased amount, and dollar value, of the prizes within a game. In Tennessee, the players are choosing to purchase higher price point games, as evidenced by the growth in the $5, $10, $20 and $25 game sales experienced over the last fiscal years. Sales at these price points increased from $738.2 million in fiscal year 2014 to $818.0 million in fiscal year 2015. Overall, instant ticket sales in Tennessee grew from $1.149 billion in fiscal year 2014 to $1.220 billion in fiscal year 2015, a 6.2% growth year over year. We are projecting continued growth in this product category in fiscal year 2016.

As players have migrated to the higher price point instant games, the overall prize payout has increased from 62.1% in fiscal year 2005 to 67.6% in fiscal year 2015. TEL management is projecting it will remain around 67.7% for fiscal year 2016. As a result of the current instant games payout percentage, the percentage of net lottery proceeds compared to total lottery proceeds for all games is projected to be 24.1% for fiscal year 2016.

Actual gross profits from instant games have increased year over year, increasing from $153.8 million in fiscal year 2005 to $256.9 million in fiscal year 2015. Since fiscal year 2005, instant game gross sales have increased an average of 5.8% annually, with a corresponding increase in actual gross profits of an average of 4.4% annually. Gross profits is based on net ticket sales, less direct costs of cash prizes, retailer commissions and major gaming vendor fees.

2. While there has been discussion in prior years about the possibility of reducing the current prize payout percentage for instant tickets, all empirical evidence indicates that a reduction in payout will result in a reduction in sales and a corresponding reduction in net proceeds. To the contrary, the experience of other states, as well as Tennessee, indicates that increasing the percentage of the prize payout has resulted in increased sales and more importantly, increased net proceeds.

3. To continue to increase net profits, the TEL must remain in a competitive position among the top performing lotteries nationally and along its borders. In the most recent fiscal year, TEL maintained the lowest aggregate instant games' prize payout % of the top 10 performing states, while generating the 4th highest instant games' per capita gross profit. Also, TEL ranked 7th in the country in weekly per capita instant games sales and instant games sales per retailer.

4. As we have previously stated, in reviewing the practices of other jurisdictions, the results of a most recent survey conducted by the North America Association of State and Provincial Lotteries reveals that of the 46 U.S. jurisdictional lotteries, Tennessee is among the few that has not eliminated the outdated statutory annual minimum percentage of sales return requirement. This further underscores the fact that in most jurisdictions it has been realized that the amount of net return far outweighs the need for an arbitrary percentage return.

If after reviewing our analysis you have any questions, please do not hesitate to contact us for further discussion.

We continue to take very seriously our statutory charge to maximize the net proceeds of the Tennessee Education Lottery Corporation. We believe this determination is consistent with that charge.

Sincerely,

Rebecca Hargrove, President & CEO
Tennessee Education Lottery Corporation

cc: Susan Leigh Lanigan, Chairman of the Board of the Tennessee Education Lottery Corporation

Estimated Revenues Based on Recurring Growth Rates

November 2015

	Preliminary Actual FY 2014-2015	FY 2015-2016	Growth Rate	FY 2016-2017	Growth Rate
Total Taxes	$ 12,439,377,800	$ 12,787,700,000	2.80%	$ 13,107,400,000	2.50%
				$ 13,171,300,000	3.00%
		$ 12,849,900,000	3.30%	$ 13,171,100,000	2.50%
				$ 13,235,400,000	3.00%
Spread			**0.50%**		**0.50%**
General Fund	$ 10,382,962,800	$ 10,684,100,000	2.90%	$ 10,977,900,000	2.75%
				$ 11,031,300,000	3.25%
		$ 10,736,000,000	3.40%	$ 11,031,200,000	2.75%
				$ 11,084,900,000	3.25%
Spread			**0.50%**		**0.50%**

Final

COMPARISON OF ESTIMATED STATE TAX REVENUE FOR FISCAL YEAR 2015-2016

(Accrual - Basis Estimates)

Schedule 1

DEPARTMENT OF REVENUE SOURCE OF REVENUE	2014-2015 PRELIMINARY ACTUAL ACCRUAL	2015-2016 7/1/2015 BUDGETED ESTIMATE	% CHANGE OVER 14-15 ACTUAL	DR. FOX ESTIMATE	% CHANGE OVER 14-15 ACTUAL	FISCAL REVIEW ESTIMATE	% CHANGE OVER 14-15 ACTUAL	REVENUE DEPT. ESTIMATE	% CHANGE OVER 14-15 ACTUAL
Sales and use Tax	$ 7,706,059,500	$ 7,894,200,000	2.44%	$ 8,153,100,000	5.80%	$ 8,190,000,000	6.28%	$ 8,140,900,000	5.64%
Gasoline Tax	631,824,300	626,400,000	-0.86%	647,600,000	2.50%	651,000,000	3.03%	646,800,000	2.37%
Motor Fuel Tax	165,504,800	168,500,000	1.81%	169,600,000	2.47%	168,000,000	1.51%	170,300,000	2.90%
Gasoline Inspection Tax	64,827,700	65,400,000	0.88%	66,100,000	1.96%	66,200,000	2.12%	66,000,000	1.81%
Motor Vehicle Registration Tax	261,832,400	255,300,000	-2.49%	267,000,000	1.97%	266,000,000	1.59%	269,100,000	2.78%
Income Tax	303,353,500	267,500,000	-11.82%	315,500,000	4.00%	300,000,000	-1.11%	325,600,000	7.33%
Privilege Tax - Less Earmarked Portion [1]	308,789,900	295,700,000	-4.24%	329,900,000	6.84%	319,000,000	3.31%	319,600,000	3.50%
Gross Receipts Tax - Total	377,323,900	383,600,000	1.66%	375,700,000	-0.43%	374,912,000	-0.64%	367,800,000	-2.52%
Gross Receipts Tax - TVA	348,601,300	354,000,000	1.55%	347,900,000	-0.20%	348,912,000	0.09%	348,900,000	0.09%
Gross Receipts Tax - Other	28,722,600	29,600,000	3.05%	27,800,000	-3.21%	26,000,000	-9.48%	18,900,000	-34.20%
Beer Tax	16,917,200	17,500,000	3.45%	18,000,000	6.40%	18,100,000	6.99%	17,000,000	0.49%
Alcoholic Beverage Tax	56,992,800	60,000,000	5.28%	59,300,000	4.05%	62,000,000	8.79%	59,200,000	3.87%
Franchise & Excise Taxes	2,164,486,100	1,937,900,000	-10.47%	2,164,500,000	0.00%	2,190,000,000	1.18%	2,102,200,000	-2.88%
Inheritance and Estate Tax	70,173,100	41,300,000	-41.15%	50,000,000	-28.75%	45,000,000	-35.87%	34,100,000	-51.41%
Tobacco Tax	263,327,000	245,000,000	-6.96%	263,300,000	-0.01%	253,000,000	-3.92%	260,700,000	-1.00%
Motor Vehicle Title Fees	12,098,400	18,000,000	48.78%	18,400,000	52.09%	18,300,000	51.26%	18,500,000	52.91%
Mixed Drink Tax	85,983,000	88,700,000	3.16%	92,900,000	8.04%	94,000,000	9.32%	95,100,000	10.60%
Business Tax	153,340,900	142,700,000	-6.94%	157,900,000	2.97%	143,000,000	-6.74%	146,700,000	-4.33%
Severance Tax	2,138,900	2,600,000	21.56%	2,100,000	-1.82%	2,000,000	-6.49%	1,800,000	-15.84%
Coin Operated Amusement Tax	303,800	300,000	-1.25%	300,000	-1.25%	300,000	-1.25%	300,000	-1.25%
Unauthorized Substance Tax	600	-	NA	-	NA	-	NA	-	NA
TOTAL DEPARTMENT OF REVENUE	**$ 12,645,277,800**	**$ 12,510,800,000**	**-1.07%**	**$ 13,151,200,000**	**4.00%**	**$ 13,160,812,000**	**4.08%**	**$ 13,041,700,000**	**3.13%**
TOTAL - RECURRING [3]	**$ 12,439,377,800**	**$ 12,469,300,000**	**0.24%**	**$ 13,101,200,000**	**5.32%**	**$ 13,115,812,000**	**5.44%**	**$ 13,007,600,000**	**4.57%**
GENERAL FUND ONLY [2]	**$ 10,588,862,800**	**$ 10,422,300,000**	**-1.57%**	**$ 11,003,800,000**	**3.92%**	**$ 11,015,312,000**	**4.03%**	**$ 10,890,200,000**	**2.85%**
GENERAL FUND - RECURRING [3]	**$ 10,382,962,800**	**$ 10,381,000,000**	**-0.02%**	**$ 10,953,800,000**	**5.50%**	**$ 10,970,312,000**	**5.66%**	**$ 10,856,100,000**	**4.56%**

SELECTED TAXES	ACTUAL	BUDGETED	%	DR. FOX	%	FISCAL REVIEW	%	REVENUE DEPT.	%
SALES AND USE TAX	$ 7,706,059,500	$ 7,894,200,000	2.44%	$ 8,153,100,000	5.80%	$ 8,190,000,000	6.28%	$ 8,140,900,000	5.64%
FRANCHISE AND EXCISE TAXES	2,164,486,100	1,937,900,000	-10.47%	2,164,500,000	0.00%	2,190,000,000	1.18%	2,102,200,000	-2.88%
INCOME TAX	303,353,500	267,500,000	-11.82%	315,500,000	4.00%	300,000,000	-1.11%	325,600,000	7.33%
ROAD USER TAXES	1,123,989,200	1,115,600,000	-0.75%	1,150,300,000	2.34%	1,151,200,000	2.42%	1,152,200,000	2.51%
ALL OTHER TAXES	1,347,389,500	1,295,400,000	-3.86%	1,367,800,000	1.51%	1,329,612,000	-1.32%	1,320,800,000	-1.97%

[1] Privilege Tax estimates are reduced by $43.0 million for the earmarked portion of the tax.

[2] F&A calculated the General Fund distribution for all presenters.

[3] FY 2014-2015 actual accrual collections have been reduced by $205.9 M to reflect non-recurring tax collections. FY 2015-2016 and FY 2016-2017 recurring estimates exclude inheritance and estate taxes.

COMPARISON OF ESTIMATED STATE TAX REVENUE FOR FISCAL YEAR 2016-2017

Schedule 2

(Accrual - Basis Estimates)

	2016-2017					
DEPARTMENT OF REVENUE SOURCE OF REVENUE	DR. FOX ESTIMATE	% CHANGE OVER 15-16 ESTIMATE	FISCAL REVIEW ESTIMATE	% CHANGE OVER 15-16 ESTIMATE	REVENUE DEPT. ESTIMATE	% CHANGE OVER 15-16 ESTIMATE
Sales and use Tax	$ 8,479,200,000	4.00%	$ 8,560,000,000	4.52%	$ 8,575,700,000	5.34%
Gasoline Tax	654,100,000	1.00%	660,500,000	1.46%	656,200,000	1.45%
Motor Fuel Tax	173,000,000	2.00%	170,000,000	1.19%	172,400,000	1.23%
Gasoline Inspection Tax	66,800,000	1.06%	66,900,000	1.06%	67,000,000	1.52%
Motor Vehicle Registration Tax	269,700,000	1.01%	270,000,000	1.50%	276,300,000	2.68%
Income Tax	328,200,000	4.03%	270,000,000	-10.00%	341,000,000	4.73%
Privilege Tax - Less Earmarked Portion [1]	352,300,000	6.79%	329,000,000	3.13%	333,100,000	4.22%
Gross Receipts Tax - Total	382,700,000	1.86%	384,000,000	2.42%	386,200,000	5.00%
Gross Receipts Tax - TVA	354,900,000	2.01%	356,000,000	2.03%	355,000,000	1.75%
Gross Receipts Tax - Other	27,800,000	0.00%	28,000,000	7.69%	31,200,000	65.08%
Beer Tax	18,200,000	1.11%	18,400,000	1.66%	17,100,000	0.59%
Alcoholic Beverage Tax	61,700,000	4.05%	64,000,000	3.23%	61,600,000	4.05%
Franchise & Excise Taxes	2,207,800,000	2.00%	2,290,000,000	4.57%	2,195,000,000	4.41%
Inheritance and Estate Tax	40,000,000	-20.00%	20,000,000	-55.56%	14,500,000	-57.48%
Tobacco Tax	260,700,000	-0.99%	251,000,000	-0.79%	258,700,000	-0.77%
Motor Vehicle Title Fees	18,600,000	1.09%	18,500,000	1.09%	18,800,000	1.62%
Mixed Drink Tax	99,400,000	7.00%	99,000,000	5.32%	104,200,000	9.57%
Business Tax	162,600,000	2.98%	148,000,000	3.50%	155,200,000	5.79%
Severance Tax	2,200,000	4.76%	2,000,000	0.00%	2,000,000	11.11%
Coin Operated Amusement Tax	200,000	-33.33%	300,000	0.00%	300,000	0.00%
Unauthorized Substance Tax	-	NA	-	NA	-	NA
TOTAL DEPARTMENT OF REVENUE	**$ 13,577,400,000**	**3.24%**	**$ 13,621,600,000**	**3.50%**	$ 13,635,300,000	4.55%
TOTAL - RECURRING [3]	**$ 13,537,400,000**	**3.33%**	**$ 13,601,600,000**	**3.70%**	**$ 13,620,800,000**	**4.71%**
GENERAL FUND ONLY [2]	**$ 11,393,300,000**	**3.54%**	**$ 11,450,100,000**	**3.95%**	**$ 11,433,400,000**	**4.99%**
GENERAL FUND - RECURRING [3]	**$ 11,353,300,000**	**3.65%**	**$ 11,430,100,000**	**4.19%**	**$ 11,418,900,000**	**5.18%**

SELECTED TAXES	DR. FOX	%	FISCAL REVIEW	%	REVENUE DEPT.	%
SALES AND USE TAX	**$ 8,479,200,000**	**4.00%**	**$ 8,560,000,000**	**4.52%**	**$ 8,575,700,000**	**5.34%**
FRANCHISE AND EXCISE TAXES	**2,207,800,000**	**2.00%**	**2,290,000,000**	**4.57%**	**2,195,000,000**	**4.41%**
INCOME TAX	**328,200,000**	**4.03%**	**270,000,000**	**-10.00%**	**341,000,000**	**4.73%**
ROAD USER TAXES	**1,163,600,000**	**1.16%**	**1,167,400,000**	**1.41%**	**1,171,900,000**	**1.71%**
ALL OTHER TAXES	**1,398,600,000**	**2.25%**	**1,334,200,000**	**0.35%**	**1,351,700,000**	**2.34%**

[1] **Privilege Tax estimates are reduced by $43.0 million for the earmarked portion of the tax.**

[2] **F&A calculated the General Fund distribution for all presenters.**

[3] **FY 2014-2015 actual accrual collections have been reduced by $205.9 M to reflect non-recurring tax collections. FY 2015-2016 and FY 2016-2017 recurring estimates exclude inheritance and estate taxes.**

Net Lottery Proceeds Estimates
Actual 2014-2015 and Estimated 2015-2016 Through 2019-2020
November 2015

	2014-2015 Actual	2015-2016 Revised	%	2016-2017 Estimated	%	2017-2018 Estimated	%	2018-2019 Estimated	%	2019-2020 Estimated	%
Lottery Corporation											
Low	335,937,700	341,862,000	1.76%	348,000,000	1.80%	355,000,000	2.01%	362,000,000	1.97%	369,000,000	1.93%
High	335,937,700	350,216,000	4.25%	357,000,000	1.94%	366,000,000	2.52%	375,000,000	2.46%	384,000,000	2.40%
Fiscal Review Staff											
Low	335,937,700	341,200,000	1.57%	348,500,000	2.14%						
Median	335,937,700	345,900,000	2.97%	355,400,000	2.75%	360,020,000	1.30%	364,700,000	1.30%	369,441,000	1.30%
High	335,937,700	350,600,000	4.36%	362,300,000	3.34%						
Recommended Range											
Low	**335,937,700**	**341,970,000**	**1.80%**	**348,100,000**	**1.80%**	**352,600,000**	**1.30%**	**357,200,000**	**1.30%**	**361,800,000**	**1.30%**
High	**335,937,700**	**347,024,000**	**3.30%**	**357,600,000**	**3.05%**	**365,800,000**	**2.30%**	**373,100,000**	**2.00%**	**380,600,000**	**2.00%**

November 13, 2015

Honorable Bill Haslam, Governor of the State of Tennessee
Tre Hargett, Secretary of State
David H. Lillard, Jr., Treasurer
Justin P. Wilson, Comptroller
Larry Martin, Commissioner of Finance & Administration

Re: Net Lottery Proceeds for Fiscal Year 2016

Dear State Funding Board Members:

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1. As you may know, the TEL offers two types of lottery products—instant tickets (games in which players can instantly view the symbols printed and determine if they won a prize) and terminal based drawing-style games (games in which a player must wait until a drawing is held to determine if the ticket is a winner). Instant tickets are more popular with Tennessee players and are projected to represent 83.5% of the TEL's gross sales in the 2016 fiscal year. In fact, throughout the lottery industry, instant ticket sales have steadily grown over the most recent fiscal years, while drawing-style games have remained stagnant.

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2. While there has been discussion in prior years about the possibility of reducing the current prize payout percentage for instant tickets, all empirical evidence indicates that a reduction in payout will result in a reduction in sales and a corresponding reduction in net proceeds. To the contrary, the experience of other states, as well as Tennessee, indicates that increasing the percentage of the prize payout has resulted in increased sales and more importantly, increased net proceeds.

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4. As we have previously stated, in reviewing the practices of other jurisdictions, the results of a most recent survey conducted by the North America Association of State and Provincial Lotteries reveals that of the 46 U.S. jurisdictional lotteries, Tennessee is among the few that has not eliminated the outdated statutory annual minimum percentage of sales return requirement. This further underscores the fact that in most jurisdictions it has been realized that the amount of net return far outweighs the need for an arbitrary percentage return.

If after reviewing our analysis you have any questions, please do not hesitate to contact us for further discussion.

We continue to take very seriously our statutory charge to maximize the net proceeds of the Tennessee Education Lottery Corporation. We believe this determination is consistent with that charge.

Sincerely,

Rebecca Hargrove, President & CEO
Tennessee Education Lottery Corporation

cc: Susan Leigh Lanigan, Chairman of the Board of the Tennessee Education Lottery Corporation

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-9034
(615) 741-2501

Justin P. Wilson
Comptroller

Memorandum

To: Honorable Bill Haslam, Governor

Honorable Randy McNally, Chairman
Senate Finance, Ways, & Means Committee

Honorable Charles Sargent, Chairman
House Finance, Ways, & Means Committee

From: Justin P. Wilson, Comptroller of the Treasury

Tre Hargett, Secretary of State

David H. Lillard Jr., State Treasurer

Larry B. Martin, Commissioner, Finance and Administration

Date: December 8, 2015

Subject: State Funding Board Growth Projections for FY 2015-16 and FY 2016-17

The State Funding Board met on November 13, 2015, to hear presentations on the State's economic outlook for the remainder of fiscal year 2015-2016 and for fiscal year 2016-2017. The Board reconvened on November 23, 2015, to discuss revenue growth projections and to arrive at consensus estimates.

Total State Taxes and General Fund Revenue Growth Estimates

The Board is charged, in Tennessee Code Annotated Section 9-4-5202(e), with the responsibility of developing consensus estimates of state revenue growth. In doing so, the Board evaluates and interprets economic data and revenue forecasts supplied by various economists as well as persons acquainted with the Tennessee revenue system. This is a revenue estimation process, not a budgeting process. The Board does not take into consideration the State's fiscal situation when developing its consensus ranges of revenue growth; however, the Board does strive to have the highest degree of confidence in the State's ability to achieve such growth. Fiscal considerations properly belong with those who set the State's budget – the Administration that recommends appropriation levels based upon its assessment of revenue growth and the General Assembly that adopts a *de facto* revenue estimate through its final action on the appropriations bill.

Pursuant to Tennessee Code Annotated Section 9-4-5202(b), the Tennessee Department of Revenue provides to the Board estimates of growth in franchise and excise tax revenue and includes in that estimation whether the growth is recurring or non-recurring. Additionally, the Board shall, pursuant to Tennessee Code Annotated Section 9-4-5202(e), identify and report whether any growth in franchise and excise tax revenue is recurring or non-recurring. To fulfill these statutory obligations, the Department of Revenue reported non-recurring franchise and excise tax revenue growth of $150,000,000. The consensus total tax and general fund tax revenue growth estimates displayed below are for recurring growth and do not account for the non-recurring growth of $150,000,000.

The Board heard testimony regarding the economy from Mr. Lee Jones of the Federal Reserve Bank of Atlanta; Dr. William Fox of the University of Tennessee; Commissioner Richard Roberts of the Tennessee Department of Revenue; and Mr. Robert Currey of the legislative Fiscal Review Committee. The state tax revenue growth estimates provided by each of the presenters are summarized in two attachments to this memorandum.

Multiple presenters cautioned that while Tennessee's actual tax collections in the current fiscal year are outpacing budgeted revenue estimates, several concerns could impact our future growth. Such factors included Japan, one of our largest trade partners, recently falling into recession; the fact that our retail sales were only stable to flat; and the fact that lower gas prices, although adding to consumer income, may not continue.

The Board developed the following summarized consensus recurring revenue estimates expressed in ranges of growth rates in State taxes.

	FY 2015-2016		FY 2016-2017	
	Low	High	Low	High
Total State Taxes	2.80%	3.30%	2.50%	3.00%
General Fund	2.90%	3.40%	2.75%	3.25%

While it is difficult to precisely predict revenue ranges, the Board believes that these ranges are reasonable for use in state budgeting. These ranges are based on statutory tax provisions enacted through the 2015 session of the General Assembly. Again, these ranges are for recurring tax revenue growth.

Net Lottery Proceeds Revenue Growth Estimates and Long-Term Funding Needs Estimates

The State Funding Board also heard presentations regarding the Tennessee Education Lottery (TEL). Legislation in 2003 created the Tennessee Education Lottery Corporation (TELC) (Tennessee Code Annotated Sections 4-51-101 et seq.). Tennessee Code Annotated Section 4-51-111(c) requires the Board to establish a projected revenue range for the "Net Lottery Proceeds" [defined in Section 4-51-102(14)] for the remainder of the current fiscal year and for the four (4) succeeding fiscal years.

The Board heard testimony regarding the lottery from Mr. Robert Currey of the legislative Fiscal Review Committee, and Mr. Andy Davis, Chief Financial and Technology Officer of the Tennessee Education Lottery Corporation. The Net Lottery Proceeds growth estimates provided by each of the presenters are summarized in two attachments to this memorandum.

Tennessee Code Annotated Section 4-51-111(c)(2)(A)(ii) requires the Board, with the assistance of the Tennessee Student Assistance Corporation (TSAC), to project long-term funding needs of the lottery scholarship and grant programs. These projections are necessary to determine if adjustments to lottery scholarship and grant programs are needed to prevent the funding for these programs from exceeding Net Lottery Proceeds. For this purpose, the Board heard testimony from Mr. Tim Phelps, Associate Executive Director for Grants and Scholarship Programs of Tennessee Student Assistance Corporation. The lottery-funded scholarship programs as authorized through the 2015 session of the General Assembly include Hope Scholarship, General Assembly Merit Scholarship, ASPIRE Award, Hope Access Grant, Wilder-Naifeh Technical Skills Grant, Non-traditional Student Grant, Foster Child Tuition Grant, Dual Enrollment Grant, Math & Science Teacher Loan Forgiveness Program, Helping Heroes Grant, the STEP UP Scholarship and Tennessee Student Assistance Award.

The estimates provided by each of the presenters are summarized in an attachment to this memorandum. Consensus was reached on the following estimates of the range for Net Lottery Proceeds to be deposited in the Lottery for Education Account and used for the various statutory purposes.

Net Lottery Proceeds	FY2015-2016	FY2016-2017	FY2017-2018	FY2018-2019	FY2019-20
Low	$341,970,000	$348,100,000	$352,600,000	$357,200,000	$361,800,000
High	$347,024,000	$357,600,000	$365,800,000	$373,100,000	$380,600,000

The State Funding Board considered the joint projections for lottery scholarship and grant program funding needs provided by TSAC and accepted their recommended projections. These estimates and projections assume no new legislative changes regarding the TELC and its authority or the scholarship and grant programs.

Attached is a copy of the letter from the Department of Education requesting $23,000 from Net Lottery Proceeds pursuant to Tennessee Code Annotated Section 4-51-11(c)(2)(B) which states:

Before December 15, 2003, and before December in each succeeding year, appropriate state agencies shall submit to the funding board and to the governor their recommendations for other educational programs and purposes consistent with article XI, Section 5 of the Tennessee Constitution based on the difference between the funding board's projections and recommendations for the lottery scholarship program based on the report submitted pursuant to subdivision (c)(2)(A). In no event shall such recommendations exceed the projections of the funding board for a specific fiscal year.

Please feel free to contact us if you have any questions.

Attachments

Revenue Estimates (2)
Lottery Estimates
TSAC/THEC Report
Letter from Department of Education

cc: The Honorable Ron Ramsey
The Honorable Beth Harwell

TENNESSEE CENTRAL
ECONOMIC ALLIANCE

Four Lake Authority
702 McMurry Blvd.
Hartsville, TN 37074
Phone: 615-374-4607
Fax: 615-374-4608

MEMO

TO: Members of the Tennessee State Funding Board

FROM: Charly Lyons, Executive Director CWL

DATE: November 16, 2015

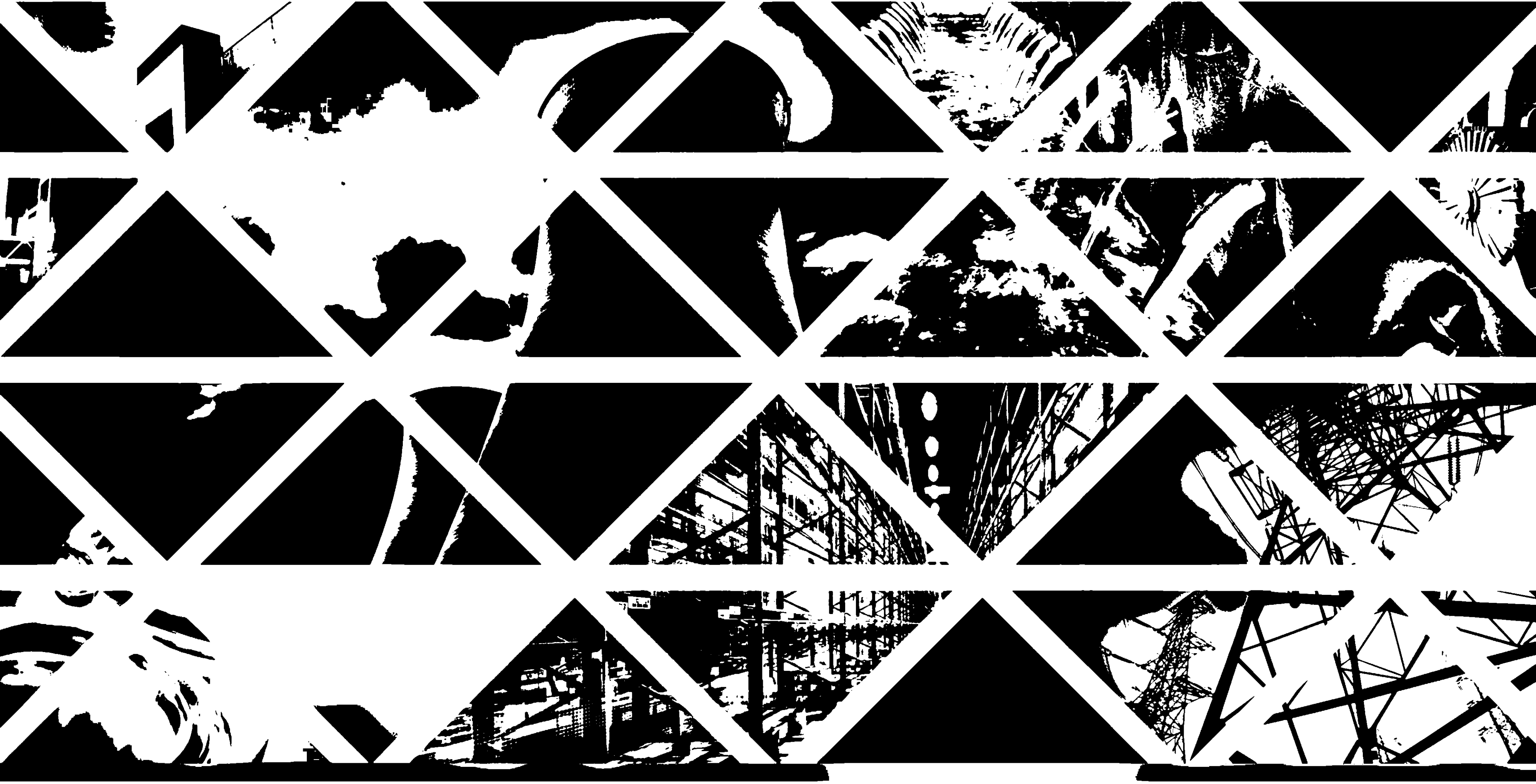
SUBJECT: Fiscal Year 2014/2015 Report

Please find enclosed the Four Lake Regional Industrial Development Authority's Annual Report and Audit for the 2014/2015 fiscal year. Also enclosed are the current General Fund & Capital Improvements Fund Financial Reports ending November 30, 2015.

We hope this provides beneficial information for your review prior to our oral presentation scheduled November 19, 2015 regarding the 2014/2015 fiscal year.

The Four Lake Board Chairman, Anthony Holt (Sumner County Executive) and I look forward to, and appreciate, this reporting opportunity.

CL:tlc
Enclosures



ANNUAL 2014 REPORT 2015

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

TENNESSEE CENTRAL
ECONOMIC ALLIANCE

MESSAGE FROM CHARLY

This past year has been a "Year of Unity." The Four Lake Authority has been strengthened more than one could imagine with the involvement of more individuals and organizations serving the Tennessee Central region. We are blessed to work with VIPs every day - "Very Inspirational People." The Board and elected officials have continually provided positive leadership in our ambitions to facilitate new jobs. Numerous people, entities, agencies, businesses, and administrations have assisted and reinforced our efforts to enhance our communities. All of the successes and accomplishments are due to a considerable collective effort and I am truly grateful for the support and encouragement.

The previous year was filled with exciting announcements. This year has been represented with "Ground Breakings, Grants, & Growth." CCA, V&C/Christy and ARC Automotive have broken ground within the PowerCom Industrial Center. Construction is in process with Beretta in Sumner County and Under Armour in Wilson County. Economic Development Grants have been issued from the Four Lake Authority in support of our communities and grants have been received by Four Lake for studies, improvements, existing business, and site development. TVA's InvestPrep Grant has created a new opportunity for an industrial site; the State of Tennessee's Department of ECD has provided FastTrack and ECD grants; and the Tennessee Department of Transportation and Trousdale County are providing a new industrial access road grant. This past year, over $1,758,700.00 has been approved in grants to the Four Lake Authority which has seen unprecedented growth as an economic development organization. Improved programs of work and a stronger Four Lake Board and Staff have evolved from wise choices to strengthen the organizations foundation.

Currently we are working to enrich our vision and seek new horizons for our citizens within all five counties of the Tennessee Central Economic Alliance. This will require more VIPs or "Visionary Inspired People." Our plans are to continue to "raise the bar" and to build on the foundation that has been passed on to us. The Four Lake staff and I sincerely appreciate your trust, encouragement, and collaboration in building a successful regional team. Together we can make a difference for an individual and an entire familiy with fundamental economic development building blocks. Please continue to unite with, inspire, and strengthen our team.

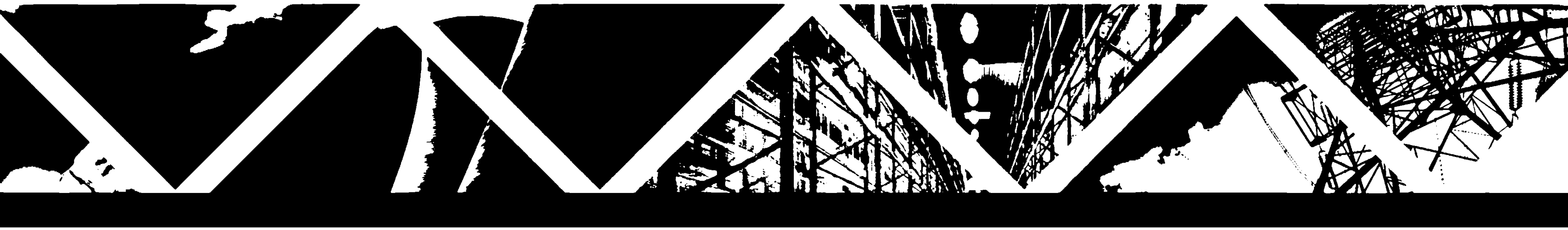
May God bless each of you & with my sincere appreciation,

Charly Lyons

MESSAGE FROM THE STAFF

The Four Lake Annual Report documents the past fiscal year's unfolding of many new, exciting, and some long-awaited developments and accomplishments.

It reflects the continued collaborative efforts and leadership of our Legislators, Board of Directors, TN Dept. of ECD, TVA, MTIDA, GNRC, UCDD, TCAT, workforce development entities, and community leaders all striving toward greater opportunities and successes for our communities, our region, and our State. May our stewardship of the resources today lead to infinite visions for tomorrow, and our endeavors provide an enduring foundation for the next generation. As always, the Four Lake Staff is deeply grateful and fortunate to work alongside such dedicated professionals and we appreciate your trust and confidence. We will continue to seek challenges and maintain the dedication to faith and focus that leads us toward a stronger region.



BOARD OF DIRECTORS

Chairman
Anthony Holt
Sumner County Executive

Vice-Chairman
Michael Nesbitt
Smith County Mayor

Secretary/Treasurer
Sabra Hodge
House Appointee

Trousdale County Representative
Carroll Carman
Trousdale County Mayor

Macon County Representative
Steve Jones
Macon County Mayor

Senate Appointee
Mae Perry
Director, TCAT-Hartsville

Wilson County Representative
Randall Hutto
Wilson County Mayor

2014 - 2015 HEADLINES

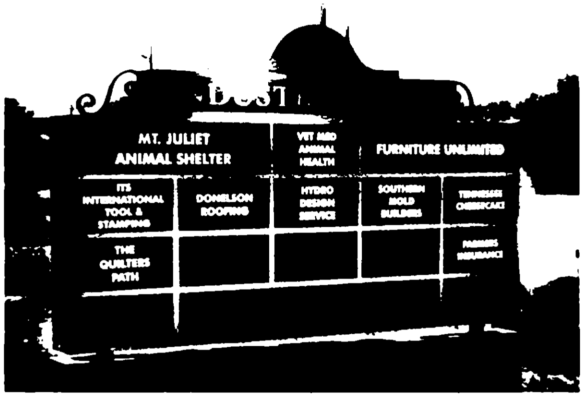
2014 SEDC Conference with Charly, Jessica, Suzie Lusk, and Ed Harlan

US Senator Bob Corker's Address to Forward Sumner with Mayor Anthony Holt

The 2015 Leadership Macon Team's day at the Legislature

TENNESSEE CENTRAL

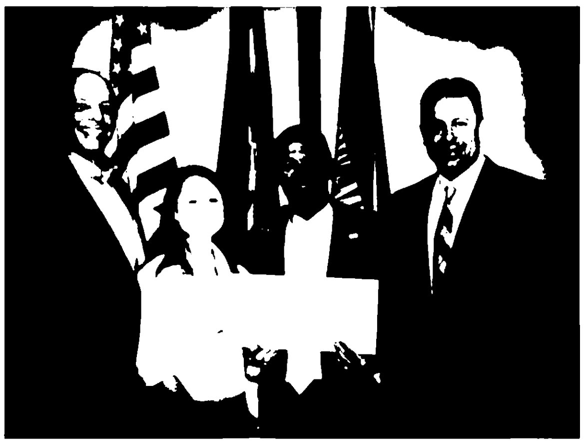
A successful Trousdale Industry Appreciation Luncheon is accomplished in collaboration with a TVA Community Grant, TCAT/Hartsville, and Pig Pen Bar-B-Q



4L ED grant awarded a $9,991.99 grant to Wilson County for the Mt. Juliet Industrial Park Sign


Governor's Conference (L-R) Mayor Steve Jones, Mayor Richard Driver, Jessica Farlow, and Lori Jones


Sumner County 2014 COMPASS Event (L-R) Charly Lyons, Congressman Black, and Jessica Farlow




Smith County awarded $10,000.00 infrastructure assistance for the Taiho Mfg. expansion.


Stephen Chambers, Attorney & 4L Board of Directors (2012-2014), received the TEDC Volunteer of the Year Award, presented at their 2014 Annual Fall Conference. TEDC's Immediate Past President Gary Farlow expressed his admiration for Mr. Chambers when he stated, "Stephen Chambers exemplifies what we look for in a Jim Spradley Volunteer of the Year recipient. He is dedicated, passionate and tireless in his role as an economic development leader."

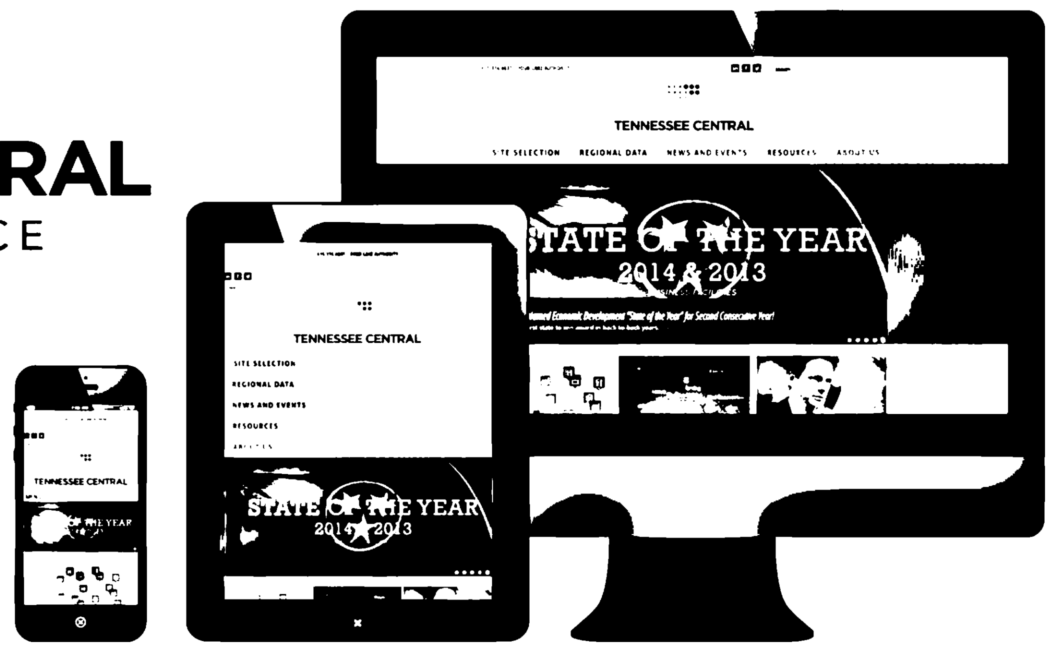
2014 - 2015 ACCOMPLISHMENTS

- TVA Economic Development Rural Leadership - Jessica
- InvestPrep Tour with KPMG
- Hosted VSCC/TSBDC's Satellite Office
- Co-applicant for $1.4M EDA Grant
- Four Lake awards $19,991.99 for ED Grants in Region
- TVA ED Partnership Grant
- TDOT/SIA Road Grant - $1.4M
- Facilitated Macon Roundtable Event with TVA
- State Funding Board Presentation
- TVA InvesPrep 2014 Grant Award
- ECD Grant - $50,000
- V&C Sprinkler System Project Completed
- Hanson Port Feasibility Study
- TN College of Applied Technology/Hartsville Advisory Board - Charly
- Trousdale Chamber of Commerce Board of Directors - Charly
- Leadership Macon Program - Jessica

TENNESSEE CENTRAL
ECONOMIC ALLIANCE

New 4L/Tennessee Central Economic Alliance Branding and Website

Visit TennesseeCentral.or



Macon Roundtable moderated by TVA/ED's Millie Calloway

Economic Development 101 in Macon and Trousdale County partnering with Tri-County and TVA. (L-R) Brad Maul/TVA, Jessica Farlow/4L, and Bess Rickman/TVA

EVENTS & CONFERENCES ATTENDED

ECD and Legislative Luncheon with 4L Board & Staff
TCAT Tours with Ann Thompson, ECD Workforce Director
Industry Appreciation Lunch
SEDC Fall Conference
TVA Economic Developers Orientation
GNRC Annual Meeting
TEDC Spring & Fall Conferences
Association of TN Valley Governments Spring & Fall Meetings
NCTC Data Center Tour
JECDB Meetings in Macon, Smith, Trousdale, and Wilson
TCAT Tennessee Reconnect
Sumner County COMPASS Annual Meeting
Leadership Sumner
REDI Conference
USDA/Rural Development Conference
TVA's Annual Economic Development Forum
Forward Sumner Annual Meeting
TVA Benchmarking Workshop
UCDD Annual Meeting
Gallatin State of the City Address
Rising Star Award Presentation and Luncheon by the TSBDC
Owensboro Riverport & Domtar Facility Tour
Macon & Trousdale Economic Development 101 with Tri-County and TVA
TEDC Day on the Hill
TEP Board Meeting for Marketing
North Central Solid Waste Planning Region Annual Meeting
Governor's Conference, ECD
Commissioner Boyd's Tour, Cookeville & Clarksville
US Senator Corker's Address to Forward Sumner Economic Partnership
MTIDA Annual Meeting
TVA and KPMG Consulting: InvestPrep Program Workshop
Smith County Fam Tour

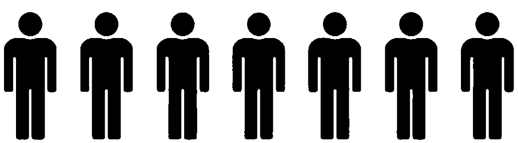
OVERVIEW OF THE TENNESSEE CENTRAL ECONOMIC ALLIANCE

Population Growth

2020 Projected: 370,761
2015 Estimate: 348,538
2010 Census: 323,922
2000 Census: 264,601

Population Growth

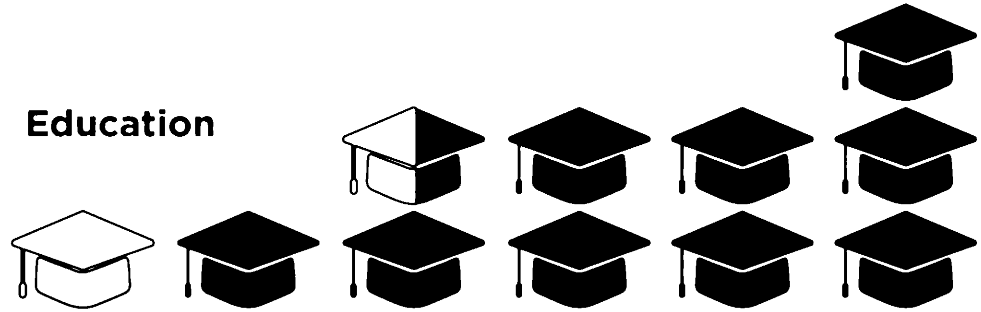
2015-2020 Projected: 6.38%
2010-2015 Growth: 7.6%
2000-2010 Growth: 22.42%



Race/Ethnic Background

White: 87.2%
African American: 6.1%
Hispanic: 4.1%
Asian/Pacific Islander: 1.3%
American Indian: 0.3%
Other: 1.6%

Education



13.23%	35.19%	22.04%	6.87%	15.36%	5.18%
Less than High School Diploma	High School Diploma (GED)	Some College, No Degree	Associate Degree	Bachelor's Degree	Master's Degree and Beyond

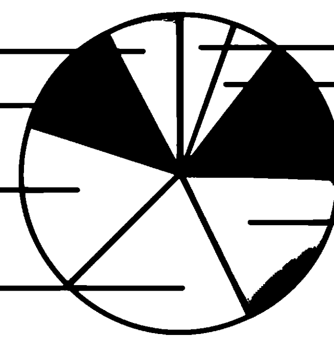
Top 3 Educational Programs in the Region

Health Professions & Related Programs
676 Completed

Liberal Arts & Schiences, General Studies & Humanities
456 Completed

Business, Management, Marketing, & Related Support Services
185 Completed

Age Distribution



2014/2015 FISCAL OVERVIEWS

General Fund

REVENUES

$246,704.16
Rent

$155,807.14
Other

TOTAL REVENUES: $402,511.30

EXPENDITURES

$159,946.47
Salaries & Benefits

$25,541.00
Contract Services

$17,358.11
Office Rent & Utilities

$19,757.51
Advertising/Marketing

$13,481.89
Office Operations

$13,700.19
Travel

$7,775.79
Meeting Expenses

$6,750.56
Dues and Fees

$2,567.96
Miscellaneous

TOTAL EXPENDITURES: $266,879.48

Capital Improvements Fund

REVENUES

$870,905.80
TVA In-Lieu-of-Tax Funding

$112,457.51
Other (Grants & Interest)

TOTAL REVENUES: $983,363.31

EXPENDITURES

PowerCom Industrial Center

$179,080.18
Engineering/Admin/ InsuranceFees

$58,897.10
Roads

$1,049,916.00
Rural Development Loan Payment

$62,044.98
Repairs & Maintenance

$344,970.30
Projects (Utilities& Infastructure)

Off-Site Development

$19,991.99
4L Grant Programs

$20,823.22
Hartsville Ind. Property

$97.69
Misc. Capital Improvement Expenses

TOTAL EXPENDITURES: $1,735,821.46

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

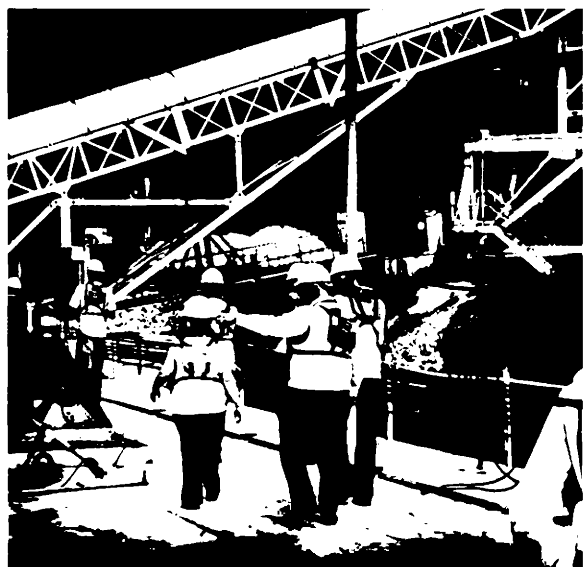
Area Colleges & Universities

POWERCOM INDUSTRIAL CENTER IMPROVEMENTS



Thanks to TVA's InvestPrep Grant, work is underway for a new 21 acre, shovel-ready site in the front section of Village 1.

(L-R) Bob Bibb/MTIDA, Mayor Carman/Trousdale, and Hugh Clark/Clark Lumber Co



In planning the PowerCom port development, board members and staff embark on a field trip to the Port of Owensboro – transportation provided by MTIDA/Bob Bibb.

(L-R) Bob Bibb/MTIDA, Mayor Nesbitt/Smith Co., and Mayor Jones/Macon Co.

Long-time PowerCom tenant, Victory Truck Lighting, displays his newest marketing strategy

CCA breaks ground October 3, 2014 on the long-awaited Trousdale Turner Correctional Center, located within the PowerCom Industrial Center. The Correctional Center is on schedule for operations to begin January, 2016.

JE Dunn escorts representatives from US Legislator's Alexander, Black, and Corker's offices, and the 4L staff on a tour of the CCA Trousdale Turner Correctional Center project.

TVA's Tech Team tours the PowerCom Industrial Center

BUSINESS & WORKFORCE DEVELOPMENT

The Tennessee College of Applied Technology Hartsville fully supports the ongoing efforts of the Four Lake Regional Industrial Development 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.

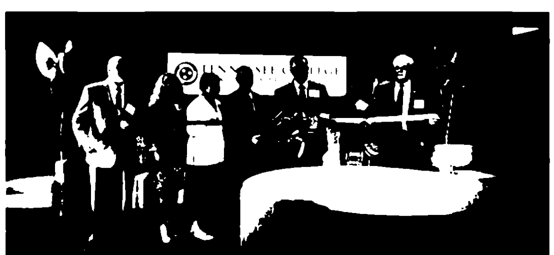
The College fulfills its mission by:

- 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



TCAT-Wilson County Ribbon Cutting

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

The Four Lake 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 FLRIDA region. Charles Alexander, the Center's Director, as well as Dave Jose, Counselor, provide private counseling at the following locations in the Four Lake region during the third full week of each month:

Tuesday 9-12 pm	Mt. Juliet Chamber (615-758-3478 for appointment)
Wednesday 8-10am	Four Lake 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 appoifntment)
Friday 9-12noon & 1-4pm	White House Chamber (615-672-3937 for appointment)

2015/2016 WORK PLANS

Economic Development Program

- Sustain communications with CCA and ARC Automotive emphasizing the need to complete obligations pledged by Four Lake, the Dept. of ECD, & TVA while continuing the development of their projects and job creation.
- Enhance opportunities to expand Four Lake's footprint throughout the five-county region by assisting individual counties in economic development projects.
- Improve responses and data for regional Request for Proposals.
- Continue to market available buildings & properties within the PowerCom Industrial Center (PCIC).
- Continue infrastructure and facilities development for the PCIC (electrical, water/sewer, telecommunications, fiber optics, and building & road upgrades).
- Maintain and improve relationships with existing industries.
- 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 throughout the region.
- Modify concept maps for the PowerCom Industrial Center.
- Management of 4L's property within the Hartsville Industrial Park.
- Dockside Infrastructure Assessment for a port operation on the Cumberland River at PCIC
- 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 improvements.

Business Development Assistance Program

- Continue 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.

Workforce Development Program

- 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.
- Encourage companies to provide 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 a marketing strategy and promote the region as the Tennessee Central Economic Alliance.
- Maintain a viable web site with information and news updates.
- Manage the daily operations of the office and administration processes.
- Search & pursue grants and funding applications.
- Oversight & management of the PowerCom Industrial Center and tenant relationships.
- Maintain professional affiliations with governmental entities, funding agencies, TN Dept. of ECD, and other related organizations such as TVA, Chambers of Commerce, UT/CTAS, the Greater Nashville Regional Council, the Middle Tennessee Industrial Development Association, the Upper Cumberland Development District, TN Economic Development Council, TEP, the region's electric distributors, and utility districts.

Other

- Continue to serve as the liaison for the North Central Solid Waste Planning Region (NCPR), the TN Dept. of Environment & Conservation, and Development Districts.
- 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 Alliance and its vision for the region.
- Promote 4L/Tennessee Central as a valuable partner for economic development in, and outside of, our five-county region.
- Pursue other regional development opportunities as requested by the Board of Directors.
- Aggressively pursue new projects and tenants.

This inst

TENNESSEE CENTRAL
ECONOMIC ALLIANCE
tennesseecentral.org

Charly Lyons, ***Executive Director***

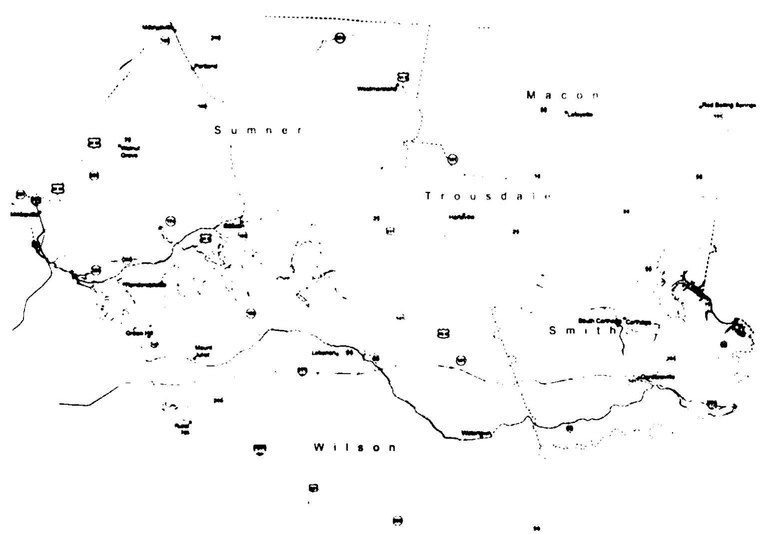
615.374.4607

615.426.2520

615.374.4608

702 McMurry Blvd | Hartsville, TN 37074

clyons@tennesseecentral.org



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

Official	Title
Randall Hutto	Chairman
Jake West	Vice Chairman
Shelvy Linville	Secretary/Treasurer
Michael Nesbitt	Board Member
Stephen Chambers	Board Member
Sabra Hodge	Board Member
Anthony Holt	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.

Jack 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	6,253,132
Total Assets	**11.998,821**
Current liabilities	35,045
Long-term debt outstanding	422,831
Total Liabilities	**457,876**

Net position:	
Net Investment in capital assets	5,830,301
Restricted	4,690,954
Unrestricted	1,019,690
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

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

See accompanying notes to financial statements.

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2015

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: 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	736,919	247,174	955,538	0	465,793	465,793
General Revenues:						
Other income						
Interest income					13,279	13,279
Total general revenues					13,279	13,279
Changes in net position					479,072	479,072
Net position - beginning of year					11,061,873	11,061,873
Restatement					16,795	16,795
Net position - beginning of year, as restated					11,078,668	11,078,668
Net position - ending of year					11,540,945	11,540,945

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

FOUR LAKE REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2015

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

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 to 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		(422,831)
Net position of governmental activities	$	11,540,945

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	252,992	983,454	1,236,446
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	266,728	1,589,027	1,855,755
Excess (deficiency) of revenues over expenditures	(13,736)	(605,573)	(619,309)
Other financing sources			
Operating transfer	150,000	(150,000)	0
Net change in fund Balance	136,264	(755,573)	(619,309)
Fund Balance, Beginning of year	673,486	5,446,527	6,120,013
Fund Balance, End of year	809,750	4,690,954	5,500,704

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		978,803
Change in net position of governmental activities	$	479,072

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.

(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.

(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.

(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.

(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:

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

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:

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

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

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

(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 statue 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	3
Total	5

(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.

(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:

Asset class	*Long-term Expected Real Rate of Return*	*Target Allocation*
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%	1%
Total		100%

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

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

(5) **Pension, Continued**

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)					
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (Asset) (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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's net pension Liability (asset)	23,927	(4,953)	(29,603)

(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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	14,239	-
Total	14,239	16,815

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.

(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

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For the Year Ended June 30, 2015

	2014	2015
Actuarially determined contribution	13,796	14,239
Contributions in relation to the actuarially determined contribution	13,796	14,239
Contribution deficiency (excess)	$13,796	$14,239
Covered-employee payroll	148,026	135,353
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

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Taxes:				
Rent building	$155,850	$155,850	$247,174	91,324
Other income	1,500	1,500	5,818	4,318
Total Taxes	157,350	157,350	252,992	95,642
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
Profesional 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	278,195	278,195	266,728	(11,467)
Excess (deficiency) of revenues over expenditures	(120,845)	(120,845)	(13,736)	107,109
Other financing sources				
Operating transfer	150,000	150,000	150,000	0
Net change in fund Balance	29,155	29,155	136,264	107,109
Fund Balance, Beginning of year	673,486	673,486	673,486	0
Fund Balance, End of year	702,641	702,641	809,750	107,109

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

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
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	1,028,892	1,028,892	983,454	(45,438)
Expenditures:				
Profesional 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	2,606,199	2,606,199	1,589,027	(1,017,172)
Excess (deficiency) of revenues over expenditures	(1,577,307)	(1,577,307)	(605,573)	971,734
Other financing sources				
Operating transfer	(150,000)	(150,000)	(150,000)	0
Net change in fund Balance	(1,727,307)	(1,727,307)	(755,573)	971,734
Fund Balance, Beginning of year	5,446,527	5,446,527	5,446,527	0
Fund Balance, End of year	3,719,220	3,719,220	4,690,954	971,734

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
State Program:								
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

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

Finding Number	Finding Title	Status
2012-001	Separation of Duties	Continues

FOUR LAKE AUTHORITY
GENERAL FUND
2015/2016 FY Budgets

10/31/2015

REVENUES	BUDGETED	RECEIVED	BALANCE
44500-Government Grants	$0.00	$0.00	$0.00
46410-Interest	$700.00	$224.12	$475.88
46420-Admin. Services Fee	$150,000.00	$150,000.00	$0.00
46430-Misc.	$0.00	$0.00	$0.00
47500-Rent	$155,850.00	$100,266.72	$55,583.28
TOTALS:	$306,550.00	$250,490.84	$56,059.16

EXPENSE ITEMS	BUDGETED	EXPENDED	BALANCE
60900-Business Expenses:			
60910-Meeting Related Expenses	$11,500.00	$4,050.49	$7,449.51
60920-Dues/Fees/Renewals	$7,000.00	$1,723.83	$5,276.17
62100-Contract Services:			
62110-Accounting Fees	$3,000.00	$0.00	$3,000.00
62140-Legal Fees	$19,845.00	$6,615.00	$13,230.00
62150-Other Contract Services	$6,000.00	$1,660.00	$4,340.00
65000-Office Operations:			
65010-Rent	$9,000.00	$3,000.00	$6,000.00
65020-Postage/Printing	$700.00	$93.28	$606.72
65030-Utilities	$4,000.00	$1,199.11	$2,800.89
65040-Supplies & Equipment	$6,500.00	$970.11	$5,529.89
65050-Communications	$7,000.00	$2,868.60	$4,131.40
65120-Insurance (Ofc, D&O, WC)	$4,650.00	$4,068.00	$582.00
65100-Misc.	$3,000.00	$411.98	$2,588.02
65110-Advertising	$24,000.00	$975.54	$23,024.46
66000-Payroll Expenses:			
66010-Executive Director	$65,000.00	$21,666.68	$43,333.32
66020-Assistant Director	$46,800.00	$15,600.00	$31,200.00
66030-Office Manager	$30,160.00	$10,211.52	$19,948.48
66050-Benefits	$26,850.00	$8,626.75	$18,223.25
68300-Travel	$18,000.00	$5,958.25	$12,041.75
TOTALS:	$293,005.00	$89,699.14	$203,305.86

FOUR LAKE AUTHORITY 10/31/2015

CAPITAL IMPROVEMENTS FUND

2015/2016 FY Budget

REVENUES	BUDGETED	RECEIVED	BALANCE
43300-In Lieu of Tax Funds	$850,000.00	$0.00	$0.00
44510-Other Grants/TVA	$76,594.07	$2,064.12	$0.00
44520-Other Grants/ECD	$50,000.00	$50,000.00	$0.00
46420-Other Income/V&C Sprinkler Pmts	$30,682.56	$7,670.64	$23,011.92
46430-Interest	$13,000.00	$3,714.70	$9,285.30
TOTALS:	$1,020,276.63	$63,449.46	$32,297.22

EXPENSE ITEMS	BUDGETED	EXPENDED	BALANCE
60300-Regional Development:			
60305-Zwirner Property (inc roof)	$170,000.00	$0.00	$170,000.00
60310-Select TN Grant Program:			
60311-Macon County	$0.00	$0.00	$0.00
60312-Smith County	$11,130.00	$0.00	$11,130.00
60313-Sumner County	$0.00	$0.00	$0.00
60314-Trousdale County	$7,749.55	$0.00	$7,749.55
60315-Wilson County	$20,000.00	$0.00	$20,000.00
60320-4L ED Grant Program:			
60321-Macon County	$78,322.43	$0.00	$78,322.43
60322-Smith County	$63,492.47	$0.00	$63,492.47
60323-Sumner County	$80,000.00	$0.00	$80,000.00
60324-Trousdale County	$80,000.00	$0.00	$80,000.00
60325-Wilson County	$70,008.01	$32,506.29	$37,501.72
62100-Contract Services:			
62140-Legal Fees	$7,500.00	$0.00	$7,500.00
62150-Prof & Eng Services	$45,000.00	$2,116.35	$42,883.65
62300-PowerCom Expenses:			
62810-Property Insurance	$12,000.00	$275.00	$11,725.00
62820-Existing Bldg Upgrades/R&M	$80,000.00	$4,619.50	$75,380.50
62822-2014 InvestPrep Pjt (TVA Grant)	$261,716.10	$216,644.00	$45,072.10
62823-FastTrack/ARC Pjt	$13,000.00	-$14,497.03	$27,497.03
62824-Infrastructure/ARC	$133,000.00	$0.00	$133,000.00
61825-ECD Grant Pjts	$62,900.00	$24,130.00	$38,770.00
Site Master Plan	$55,000.00	$0.00	$55,000.00
62831-Waterline Ext/Inst/R&M	$90,000.00	$275.00	$89,725.00
62835-Sewerline Ext/Inst/R&M	$152,000.00	$0.00	$152,000.00
62840-Road Upgrades & Maint.	$30,000.00	$1,240.00	$28,760.00
62841-TDOT/CCA Road Pjt	$549,280.57	$37,595.14	$511,685.43
62850-Dock/Port Development	$40,000.00	$0.00	$40,000.00
62851-Dredging	$200,000.00	$0.00	$200,000.00
62860-Signs/Gate/Fence Adds/R&M	$40,000.00	$495.78	$39,504.22
62870-Utility Expenses	$10,000.00	$540.72	$9,459.28
62880-Contract Labor:			
62881-Site R&M/Security (D. Nollner)	$15,000.00	$3,085.00	$11,915.00
62882-Dozer & Bush Hogging	$30,000.00	$0.00	$30,000.00
62890-Supplies & Equip R&M	$5,000.00	$221.27	$4,778.73
65100-Other Expenses	$1,000.00	$0.00	$1,000.00
70000-Other/RD Loan Payment	$149,916.00	$149,916.00	$0.00
75000-Other/Admin Services Fee	$150,000.00	$150,000.00	$0.00
TOTALS:	$2,713,015.13	$609,163.02	$2,103,852.11

State of Tennessee
General Obligation Commercial Paper Program

Analysis for the period July 1, 2015 to October 31, 2015

	Taxable	Tax-Exempt	Total
Average Daily Balance [1]	$25,863,000	$250,522,187	$276,385,187
Outstanding Balance at 10/31/15	$25,863,000	$281,823,000	$307,686,000
Interest Rate [1]	0.13-0.21%	0.06 - 0.13%	
Wtd. Average Yield [1]	0.1751%	0.1079%	

1 For the period July 1, 2015 to October 31, 2015

STATE OF TENNESSEE
RESULTS OF 2015 SERIES A & B BOND SALE
For Bonds Sold October 27, 2015

	2015 Series A Tax-Exempt New Money	2015 Series B Tax-Exempt Refunding	Total 2015 Series A & B
Bond Proceeds:			
Par Amount	$ 286,275,000.00	$ 97,490,000.00	$ 383,765,000.00
Bond Premium	54,378,753.25	14,121,514.45	68,500,267.70
Total Proceeds	$ 340,653,753.25	$ 111,611,514.45	$ 452,265,267.70
Statistics:			
Final Maturity	August 1, 2035	August 1, 2028	
Range of Yields	0.20% - 2.80%	0.08% - 2.54%	
True Interest Cost	2.75%	2.19%	2.63%
Underwriter's Discount:	**$ 255,820.30**	**$ 89,520.15**	**$ 345,340.45**
Average Underwriter Discount per Bond (excluding fees)	$0.69 per bond	$0.71 per bond	
Average Underwriter Discount per Bond (inc. fees)	$0.89 per bond	$0.92 per bond	

Net Present Value Savings

	2015 Series B
Net PV Savings	$ 8,883,598.55
PV Savings as a % of Par Amount	8.56%

State Form No CT-0253
Revised Effective 1/1/14

REPORT ON DEBT OBLIGATION

(Pursuant to Tennessee Code Annotated Section 9-21-151)

1. Public Entity:

Name: State of Tennessee

Address: 505 Deaderick St., Suite 1600, James K Polk State Office Bldg.
Nashville, TN 37243

Debt Issue Name: General Obligation Bonds, 2015 Series A and Refunding Series B

If disclosing initially for a program, attach the form specified for updates, indicating the frequency required.

2. Face Amount: $ 383,765,000.00

Premium/Discount: $ 68,500,267.70

3. Interest Cost: 2.6311 %

- [x] Tax-exempt
- [ ] Taxable
- [x] TIC
- [ ] NIC
- [ ] Variable: Index ______ plus ______ basis points; or
- [ ] Variable: Remarketing Agent ______
- [ ] Other: ______

4. Debt Obligation:

- [ ] TRAN
- [ ] RAN
- [ ] CON
- [ ] BAN
- [ ] CRAN
- [ ] GAN
- [x] Bond
- [ ] Loan Agreement
- [ ] Capital Lease

If any of the notes listed above are issued pursuant to Title 9, Chapter 21, enclose a copy of the executed note with the filing with the Office of State and Local Finance ("OSLF").

5. Ratings:

- [ ] Unrated

Moody's Aaa Standard & Poor's AA+ Fitch AAA

6. Purpose:

		BRIEF DESCRIPTION
[x] General Government	74.60 %	
[ ] Education	%	
[ ] Utilities	%	
[ ] Other	%	
[x] Refunding/Renewal	25.40 %	

7. Security:

- [x] General Obligation
- [ ] General Obligation + Revenue/Tax
- [ ] Revenue
- [ ] Tax Increment Financing (TIF)
- [ ] Annual Appropriation (Capital Lease Only)
- [ ] Other (Describe): ______

8. Type of Sale:

- [ ] Competitive Public Sale
- [ ] Interfund Loan ______
- [x] Negotiated Sale
- [ ] Loan Program ______
- [ ] Informal Bid

9. Date:

Dated Date: 11/18/2015 Issue/Closing Date: 11/18/2015

State Form No. CT-0253
Revised Effective 1/1/14

REPORT ON DEBT OBLIGATION

(Pursuant to Tennessee Code Annotated Section 9-21-151)

10. Maturity Dates, Amounts and Interest Rates *: See inside cover of attached official statement

Year	Amount	Interest Rate	Year	Amount	Interest Rate
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%
	$	%		$	%

If more space is needed, attach an additional sheet.

If (1) the debt has a final maturity of 31 or more years from the date of issuance, (2) principal repayment is delayed for two or more years, or (3) debt service payments are not level throughout the retirement period, then a cumulative repayment schedule (grouped in 5 year increments out to 30 years) including this and all other entity debt secured by the same source **MUST BE PREPARED AND ATTACHED.** For purposes of this form, debt secured by an ad valorem tax pledge and debt secured by a dual ad valorem tax and revenue pledge are secured by the same source. Also, debt secured by the same revenue stream, no matter what lien level, is considered secured by the same source.

* This section is not applicable to the Initial Report for a Borrowing Program.

11. Cost of Issuance and Professionals:

☐ No costs or professionals

	AMOUNT (Round to nearest $)	FIRM NAME
Financial Advisor Fees	$ 70,000	Public Financial Management
Legal Fees	$	
Bond Counsel	$ 195,000	Hawkins, Delafield & Wood
Issuer's Counsel	$ 0	
Trustee's Counsel	$ 0	
Bank Counsel	$ 0	
Disclosure Counsel	$ 0	
______	$ 0	
Paying Agent Fees	$ 0	
Registrar Fees	$ 0	
Trustee Fees	$ 4,000	Regions Bank
Remarketing Agent Fees	$ 0	
Liquidity Fees	$ 0	
Rating Agency Fees	$ 252,750	Fitch, Standard & Poor's, Moody's
Credit Enhancement Fees	$ 0	
Bank Closing Costs	$ 0	
Underwriter's Discount 0.90 %		
Take Down	$ 266,819	Morgan Stanley
Management Fee	$ 0	
Risk Premium	$ 0	
Underwriter's Counsel	$ 35,000	
Other expenses	$ 43,521	
Printing and Advertising Fees	$ 1,250	Image Master
Issuer/Administrator Program Fees	$ 0	
Real Estate Fees	$ 0	
Sponsorship/Referral Fee	$ 0	
Other Costs ______	$ 39,987	Arbitrage Group, PFM Asset Mgt.
TOTAL COSTS	$ 908,327	

State Form No. CT-0253
Revised Effective 1/1/14

REPORT ON DEBT OBLIGATION

(Pursuant to Tennessee Code Annotated Section 9-21-151)

12. Recurring Costs:

☐ No Recurring Costs

	AMOUNT (Basis points/$)	FIRM NAME (If different from #11)
Remarketing Agent		
Paying Agent / Registrar		
Trustee		
Liquidity / Credit Enhancement		
Escrow Agent	2500	Regions
Sponsorship / Program / Admin		
Other ________		

13. Disclosure Document / Official Statement:

☐ None Prepared
☐ EMMA link ________________ or
☑ Copy attached

14. Continuing Disclosure Obligations:

Is there an existing continuing disclosure obligation related to the security for this debt? ☑ Yes ☐ No
Is there a continuing disclosure obligation agreement related to this debt? ☑ Yes ☐ No
If yes to either question, date that disclosure is due January 31, 2016
Name and title of person responsible for compliance Sandra Thompson, Director of SLF

15. Written Debt Management Policy:

Governing Body's approval date of the current version of the written debt management policy 09/16/2013
Is the debt obligation in compliance with and clearly authorized under the policy? ☑ Yes ☐ No

16. Written Derivative Management Policy:

☑ No derivative

Governing Body's approval date of the current version of the written derivative management policy ________
Date of Letter of Compliance for derivative ________
Is the derivative in compliance with and clearly authorized under the policy? ☐ Yes ☐ No

17. Submission of Report:

To the Governing Body: on 11/19/2015 and presented at public meeting held on 11/19/2015
Copy to Director to OSLF: on 11/19/2015 either by:

☐ Mail to:
505 Deaderick Street, Suite 1600
James K. Polk State Office Building
Nashville, TN 37243-1402

OR

☑ Email to:
StateAndLocalFinance.PublicDebtForm@cot.tn.gov

18. Signatures:

	AUTHORIZED REPRESENTATIVE	PREPARER
Name	Sandra Thompson	Cindy Liddell, Bond Accountant,
Title	Director, Office of State and Local Finance	Office of State and Local Finance
Firm		
Email	Sandi.Thompson@cot.tn.gov	
Date	11/19/2015	

Tennessee State Funding Board

Debt Management Policy

Prepared by
Office of State and Local Finance

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Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the State of Tennessee (the "State") and the Tennessee State Funding Board (the "Board"): (1) identifies policy goals and demonstrates a commitment to long-term financial planning; including a multi-year capital plan; (2) improves the quality of decisions; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the State is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for the State to manage its debt program in line with those resources.

The debt program for the State includes general obligation debt issued by the State for which the State has pledged its full faith and credit for the payment of both principal and interest. The Board is the entity authorized to issue general obligation indebtedness of the State. The Board is comprised of the Governor, the State Comptroller of the Treasury, the Secretary of the State, the State Treasurer and the Commissioner of Finance and Administration. The Board issues all general obligation indebtedness in the name of the State pursuant to authorization by the General Assembly.

Goals and Objectives

The Board is establishing a debt policy as a tool to ensure that financial resources are adequate to meet the State's long-term capital program and financial planning. In addition, the Debt Management Policy (the "Policy") helps to ensure that financings undertaken by the Board satisfy certain clear objective standards designed to protect the State's financial resources and to meet its long-term capital needs.

A. The goals of this policy are:

1. To document responsibility for the oversight and management of debt related transactions;
2. To define the criteria for the issuance of debt;
3. To define the types of debt approved for use within the constraints established by the General Assembly;
4. To define the appropriate uses of debt;
5. To define the criteria for evaluating refunding candidates or alternative debt structures; and
6. To minimize the cost of debt.

B. The objectives of this policy are:

1. To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
2. To identify legal and administrative limitations on the issuance of debt;
3. To ensure the legal use of the Board's debt issuance authority;
4. To maintain appropriate resources and funding capacity for present and future capital needs;
5. To protect and enhance the State's credit rating;
6. To evaluate debt issuance options;
7. To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
8. To manage interest rate exposure and other risks; and
9. To comply with Federal Regulations and Generally Accepted Accounting Principles ("GAAP").

Debt Management/General

A. Purpose and Use of Debt Issuance

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State (including Title 9, Chapter 9, Tennessee Code Annotated and various bond authorizations enacted by the General Assembly of the State), pursuant to resolutions adopted by the Board.

1. Debt may be issued for public purposes of respective State departments and institutions, among others, including without limitation to make grants to counties, metropolitan governments, incorporated towns, cities, special districts of the State, or government agencies or instrumentalities of any of them.

2. Debt may be used to finance capital projects authorized by the General Assembly through Bond Acts, included in the Capital Budget and/or approved by the State Building Commission and to fund discount and costs of issuance, limited to 2.5% of the amount allocated in the bond authorizations.

3. Debt may be authorized to fund highway improvements. Such authorization is used as a cash management tool and gives budget authority to enter into various contracts for highway capital improvements. The projects are not constructed until the current revenue is available to pay the State's share of the projects. Highway bond authorization is canceled once projects have been funded with current funds.

4. Debt may only be used to fund operating expenditures when such debt is repaid in the fiscal year issued.

5. Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs of projects as authorized by the bond authorization and a resolution of the Board.

6. Bonds may be issued to refinance outstanding debt.

B. Debt Capacity Assessment

1. The "debt service coverage" test (the "Test") shall be used to compute the maximum principal amount of bonds that the Board can issue after July 1, 2013. The first step of the Test is to calculate the amount necessary to pay the maximum annual debt service in the then current or any future fiscal year on all outstanding bonds and bonds proposed to be issued (the "Debt Service Amount"). The second and final step of the Test is compare the Debt Service Amount with the amount of total state tax revenue (as defined in Section 9-9-104, Tennessee Code Annotated) that was allocated to the general fund, debt service fund and highway fund for the immediately preceding fiscal year (the "Total Tax Revenue Amount"). If the Debt Service Amount is not greater than ten percent (10%) of the Total Tax Revenue Amount, then the bonds may be issued.

2. If the Debt Service Amount is six percent (6%) or more of the Total Tax Revenue Amount, the Board shall cause a debt capacity study to be conducted on an annual basis until the Debt Service Amount drops below six percent (6%) of the Total Tax Revenue Amount.

C. Federal Tax Status

1. **Tax-Exempt Debt** – The Board will use its best efforts to maximize the amount of debt sold under this policy using tax-exempt financing based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints;

2. **Taxable Debt** – The Board will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt. However, the Board will finance taxable projects within the permitted limits of tax-exempt financings whenever possible.

D. Legal Limitations on the Use of Debt

1. No debt obligation, except as shall be repaid within the fiscal year of issuance, shall be sold to fund the current operation of any state service or program.

2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized.

3. Debt may only be issued under a bond authorization for which the General Assembly has appropriated sufficient funds to pay the first year's obligation of principal and interest, and when the Board has determined that such funds are available.

Types of Debt

A. Bonds

Security – Pursuant to Section 9-9-105, Tennessee Code Annotated, the Board may issue general obligation bonds, which are direct general obligations of the State payable as to both principal and interest from any funds or monies of the State from whatever source derived. The full faith and credit of the State is pledged to the payment of principal of and interest on all general obligations bonds. Subject only to Section 9-9-104(a), all general obligation debt constitutes a charge and lien upon the entire fees, taxes and other revenues and funds allocated to the general fund, the debt service fund, and the highway fund.

These bonds may be structured as:

1. **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond.
   - Serial Bonds
   - Term Bonds
   - Capital Appreciation Bonds

2. **Variable Interest Rate Bonds** – Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution. Variable rate debt may be used in the following circumstances:

   - For bond anticipation notes issued during the construction period phase of a project;
   - To finance projects that have a high probability of having a change from public to private use over the period of amortization;
   - For projects requiring an extraordinary redemption period prior to a standard call date;
   - For asset liability matching purposes; and
   - To diversify the interest rate risk of the debt portfolio.

3. **Capital Appreciation Bonds** – A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded interest rate until maturity, at which time the investor receives a single payment representing both the initial principal amount and the total investment return.

B. Short Term Debt

Pending the issuance of the definite bonds authorized by the bond authorizations, the Board may issue short term debt. Such debt shall be authorized by resolution of the Board. Debt issued in a short-term mode may be used for the following reasons:

1. To fund projects with an average useful life of ten years or less; and

2. To fund projects during the construction phase of the projects.

   If the equipment or other capital project has an average useful life of greater than five years but less than twelve, the Board may provide that a bond anticipation note or any renewal of such note mature more than five years from the date of issue of the original note; provided, that an amortization schedule of principal repayment is established for the project funded by the note and provisions are made such that any note or renewal note or bond refunding such note attributed to the financing of such project shall be redeemed or retired no later than the useful life of the project and no later than either twenty-five years from the date of such original note or twenty years from the date the project is completed and placed into full service, whichever is earlier.

3. To fund cash flow deficits when repaid in the fiscal year in which the debt was issued.

These notes may be structured as:

1. **Bond Anticipation Notes ("BANs")** – BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue.

   - **Commercial Paper** ("CP") – CP is a form of bond anticipation notes that has maturities up to 270 days, may be rolled to a subsequent maturity date and is commonly used to finance a capital project during construction. It can be issued incrementally as funds are needed and then refunded with a bond once projects are completed to take advantage of lower short-term rates during the construction period.

   - **Fixed Rate Notes** – Notes issued for a period of time less than three years at a fixed interest rate that are used to fund capital projects during the construction period.

   - **Variable Rate Notes** – Notes which bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.

2. **Tax and Revenue Anticipation Notes ("TRANs")** - TRANs are short term notes secured by a pledge of taxes and other general fund revenues in the current fiscal year of the State. TRANs, if issued, will constitute direct obligations of the State backed by the full faith and credit of the State. All TRANs will be redeemed in the same fiscal year in which they are issued.

Debt Management Structure

The Board shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Board's authorizing resolution and the State's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. The final maturity of the bond debt should be limited to 20 years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier unless otherwise approved by the Board specified in the Bond Act and Bond Resolution.

B. Debt Service Structure

Debt issuance shall be planned to achieve level principal over a twenty year period unless otherwise specified in the bond act. The Board shall avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements.

No debt shall be structured with other than at least equal principal repayment unless such structure is specifically approved by unanimous vote of the members of the Board.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call features should be structured to provide the maximum flexibility relative to cost. The Board will avoid the sale of long-term non-callable bonds absent careful evaluation by the Board with respect to the value of the call option.

D. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Board.

The Board is authorized to sell bonds in amounts not to exceed 2.5% of the amount stated in the bond act for funding discounts.

Refinancing Outstanding Debt

The Board with assistance from the Board's staff and Financial Advisor shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Financial Advisor will conduct an analysis of all refunding candidates at least semiannually to identify potential refunding candidates from the outstanding bond maturities. The Board will consider the following issues when analyzing possible refunding opportunities:

A. Debt Service Savings

The bonds will be considered for refunding when:

1. The refunding of the bonds to be refunded results in aggregate present value savings of at least 4% as certified to the Board by the Financial Advisor to the Board, and the savings of the bonds to be refunded must be equal to or greater than twice the cost of issuance; or

2. The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the Bonds; or

3. A project is sold while still in its amortization period.

The Refunding Bond will only be executed when the Board confirms the receipt of the certification of the Financial Advisor to the Board and determines that the refunding of the bonds to be refunded accomplishes cost savings to the public or that such refunding is necessary to maintain compliance with the federal code.

B. Term of Refunding Issues

The Board will refund bonds within the term of the originally issued debt. No backloading of debt will be permitted.

C. Bond Structuring

The bonds will be structured to create proportional or level debt service savings.

D. Escrow Structuring

The Board shall structure refunding escrows using permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Board will take competitive bids on any selected portfolio of securities and will award to the lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Securities ("SLGs") are purchased directly from the Federal Government. The provider must guarantee the delivery of securities except for SLGs. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Board from its own account.

Methods of Sale

Pursuant to Section 9-9-205, Tennessee Code Annotated, new money general obligation bonds must be sold at competitive sale. However, until June 30, 2016, the Board may issue bonds through a negotiated sale, if it is in the best interest of the State. Section 9-9-207, Tennessee Code Annotated, permits the Board to determine the method of sale for Refunding bonds. Following each sale, the Office of State and Local Finance with the assistance of the Financial Advisor shall provide a report to the Board on the results of the sale.

A. **Competitive Sale –** In a competitive sale, the Board's bonds are posted for auction sale and awarded to the bidder providing the lowest true interest cost as long as the bid conforms to the requirements set forth in the official notice of sale.

B. **Negotiated Sale–** While the Board prefers the use of a competitive process, the Board recognizes some bonds are best sold through negotiation. In a negotiated sale, the underwriter(s) will be chosen through a Request for Proposal ("RFP") process and underwriter's fees are negotiated prior to the sale. The factors to be considered for a negotiated sale include the following:

- Volatility of market conditions
- Size of the bond sale
- Credit strength
- Whether or not the bonds are issued as variable rate demand obligations

C. Private Placement

From time to time the Board may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings to the Board relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Board shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals or in promotional materials provided to the Board or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Board with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Board. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Board or its designated official in advance of the pricing of the debt.

A. **Selection of Senior Management Team** – The Board with assistance from its staff and financial advisor shall select the senior manager for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

   - Experience in selling Tennessee debt;
   - Ability and experience in managing complex transactions;
   - Prior knowledge and experience with the Board;
   - Willingness to risk capital and demonstration of such risk;
   - Quality and experience of personnel assigned to the Board's engagement;
   - Financing ideas presented; and
   - Underwriting fees.

B. **Selection of Co-Managers** – Co-managers will be selected on the same basis as the senior manager. The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Board's bonds. The Board will affirmatively determine the designation policy for each bond issue.

C. **Selling Groups** – The Board may use selling groups in certain transactions to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group, should either have a public finance department or pricing desk located within the boundaries of the State.

D. **Underwriter's Counsel** – In any negotiated sale of the Board's debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager with input from the Board.

E. **Underwriter's Discount** – The Board will evaluate the proposed underwriter's discount in comparison to other issues in the market. If there are multiple underwriters in the transaction, the Board will determine the allocation of fees with respect to the management fee, if any. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined prior to the sale date. A cap on management fee, expenses and underwriter's counsel will be established and communicated to all parties by the Board. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

F. **Evaluation of Underwriter Performance** – The Board, with assistance of the staff and the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit.

Credit Quality

The Board's debt management activities will be conducted to receive the highest credit ratings possible, consistent with Board's financing objectives. If the State's credit ratings are downgraded below the AAA rating, the capital funding and debt strategy will immediately be reviewed and necessary steps within the Board's authority taken to avoid additional downgrades and to restore the AAA rating.

The Office of the Comptroller of the Treasury through the Office of State and Local Finance will be responsible for the communication of information to the rating agencies and keeping them informed of significant developments throughout the year. The Office of the Comptroller of the Treasury through the Office of State and Local Finance will schedule rating agency calls and/or visits prior to the issuance of General Obligation bonds.

The Office of the Comptroller of the Treasury through the Office of State and Local Finance will engage the relevant Rating Agencies in advance, in the event that the Board decides to move forward with a plan of finance that includes variable rate debt, new commercial paper programs or the use of derivatives.

The Board shall apply for ratings from at least two of the three Statistical Rating Organizations (the "SRO"). The Board shall fully review the contract with the SRO and receive an engagement letter prior to submitting documentation for the rating.

Credit Enhancements

The Board will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The Board may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Board may purchase bond insurance when such purchase is deemed prudent and advantageous for negotiated sales. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. For competitive sales, the purchaser of the bonds will determine whether bond insurance will be used and will be included in the bid for the bonds and will be paid for by the purchaser of the bonds.

The Board will qualify bonds for insurance and allow bidders to purchase the bonds with or without insurance. In a negotiated sale, the Board will select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the Board.

B. Letters of Credit

The Board may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous. The Board will prepare and distribute a RFP to qualified banks or other qualified financial institutions which includes terms and conditions that are acceptable to the Board. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the State.

C. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Board will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the State.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered.

Risk Assessment

The Office of State and Local Finance will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The Office will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Change in Public/Private Use – The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.

B. Default Risk – The risk that debt service payments cannot be made by the due date.

C. Liquidity Risk – The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.

D. Interest Rate Risk – The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issued had been fixed.

E. **Rollover Risk** – The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.

Transparency

The Board shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. Additionally all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner (see also Federal Regulatory Compliance and Continuing Disclosure), including:

A. Within four weeks of closing on a debt transaction, the debt service schedule outlining the rate of retirement of the principal amount shall be posted to the Board's website;

B. Within 45 days from closing, costs related to the issuance and other information set forth in Section 9-21-151,Tennessee Code Annotated, shall be prepared, a copy filed with the Office of State and Local Finance, and the original presented at the next meeting of the Board; and

C. Disclosure of costs will be made by electronic submission through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website.

Professional Services

The Board requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Board. This includes "soft" costs or compensations in lieu of direct payments.

A. **Issuer's Counsel** – The Board will enter into an engagement letter agreement with each lawyer or law firm representing the Board in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of Attorney General and Reporter for the State of Tennessee who serves as counsel to the Board or of the Office of General Counsel, Office of the Comptroller of the Treasury, which serves as counsel to the Office of State and Local Finance regarding Board matters.

B. **Bond Counsel** – Bond counsel is contracted by the Office of the Comptroller of the Treasury through the Office of State and Local Finance and serves to assist the Board in all its general obligation debt issues.

C. **Financial Advisor** – The financial advisor is contracted by the Office of the Comptroller of the Treasury through the Office of State and Local Finance and serves and assists the Board on financial matters. The Board shall approve the written agreement between the Office of the Comptroller of the Treasury and each person of the firm serving as financial advisor in debt management advisory services and debt issuance transactions. However, when in a competitive or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services for the issuance. The Financial Advisor will be subject to a fiduciary duty which includes a duty of loyalty and a duty of care.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Board shall be required to disclose to the Board existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. This disclosure shall include that information reasonably sufficient to allow the Board to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

1. Prior to submitting a bond resolution for approval, the Director of the Office of State and Local Finance (the "Director"), with the assistance of the financial advisor, will present to staff of the members of the Board the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing, and/or;

2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.

3. The Director, the Bond Accountant, bond counsel, financial advisor, along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The Director will present a post sale report to the members of the Board describing the transaction and setting forth all the costs associated with the transaction.

2. The financial advisor will provide a closing memorandum with written instructions on transfer and flow of funds.

3. The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.

4. The Director, the Bond Accountant, bond counsel, financial advisor, along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The Office of State and Local Finance will comply with arbitrage requirements on invested tax-exempt bond funds. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Board will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Board currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Board will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available will be deposited with the State Treasurer or a Trustee for investment. The proceeds must be invested pursuant to the state policy found in Section 9-1-118, Tennessee Code Annotated, and the State of Tennessee Statement of Investment Policy, which is approved each year by the Board.

C. Disclosure

In complying with U.S. Securities and Exchange Commission Rule 15c2-12, the Board will provide to EMMA certain financial information and operating data no later than January 31, of each year, and will provide notice of certain enumerated events with respect to the bonds, if material. Such material events include:

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults
3. Unscheduled draws on credit enhancements
4. Substitution of credit or liquidity providers or the failure of performance on the part of a liquidity provider
5. Adverse tax opinions or events affecting the tax-exempt status of any bonds
6. Modifications to rights of bond holders
7. Bond calls
8. Defeasances
9. Matters affecting collateral
10. Rating changes

D. Generally Accepted Accounting Principles (GAAP)

The Board will prepare its financial reports in accordance with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the department of finance and administration when applicable.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Board maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Board's goals.

This policy will be reviewed by the Board no less frequently that annually. At that time, the Director will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Adoption of the Policy

1. After a public hearing on August 24, 2011, the Board adopted the Policy on September 8, 2011, effective September 8, 2011.

2. After a public hearing on September 16, 2013, the Board adopted the amended Policy on September 16, 2013, effective September 16, 2013.

Secretary
Tennessee State Funding Board

APPENDIX A

ANNUAL REVIEW

The Board has reviewed and accepted the Debt Management Policy on:

October 8, 2014

RESOLUTION ALLOCATING FROM THE DEBT SERVICE FUND TO THE CAPITAL PROJECTS FUND $1,400,000 AND CANCELING AUTHORIZED BONDS

RECITALS

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 552, Public Acts of Tennessee, 2009 (the "2009 Act"), to issue and sell its general obligation bonds in an amount not to exceed Seven Hundred One Million, One Hundred Thousand Dollars and no Cents ($701,100,000.00) of which Two Hundred Ten Million, Nine Hundred Thousand Dollars and no Cents ($210,900,000.00) is allocated pursuant to Section 4(1) of the 2009 Act (the "2009 Act Bonds") to the Department of Finance and Administration. Twenty-Seven Million, Three Hundred Thousand Dollars and no Cents ($27,300,000.00) of the 2009 Act Bonds authorized are to provide funds for the West Tennessee Megasite Land and Right of Way (the "West TN Megasite") project.

The Funding Board has previously canceled Eight Million, Four Hundred Thousand Dollars and no Cents ($8,400,000.00) of the 2009 Act Bonds allocated to the West TN Megasite; none of the remaining Eighteen Million, Nine Hundred Thousand Dollars and no Cents ($18,900,000.00) principal amount has been issued as 2009 Act Bonds but bond anticipation notes in the form of commercial paper have been issued.

By memorandum dated October 12, 2015, the Commissioner of Finance and Administration notified the Funding Board that One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) is available for the West TN Megasite from funds not required for debt service and recommended that: (1) a like amount of commercial paper should be retired and (2) a like amount of authorization be canceled.

Be It Resolved By the Funding Board of the State of Tennessee:

1. The project authorized to be financed by the 2009 Act Bonds has been financed in part with commercial paper and One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) is no longer needed to fund such authorized project.

2. One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) in accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, is allocated from the Debt Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2009 Act Bonds.

3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated October 12, 2015, the Funding Board hereby cancels One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) of the principal amount authorized by the 2009 Act for the 2009 Act Bonds.

4. This resolution shall be effective as of November 19, 2015 and all resolutions in conflict herewith are hereby repealed.

Adopted this 19th day of November, 2015.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

RESOLUTION ALLOCATING FROM INTERNAL SERVICE FUND TO THE CAPTIAL PROJECTS FUND $4,380,000 AND CANCELING AUTHORIZED BONDS

Recitals

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 962, Public Acts of Tennessee, 2006 (the "2006 Act"), to issue and sell its general obligation bonds in an amount not to exceed Five Hundred Eighty-Six Million, Nine Hundred Thousand Dollars and no cents ($586,900,000.00), of which Eighty-One Million, Three Hundred Thousand Dollars and no cents ($81,300,000.00) is allocated pursuant to Section 4(3) of the 2006 Act to the Department of Finance and Administration, to provide funds for the acquisition and implementation of enterprise resource planning software (the "2006 Act ERP Bonds").

The Funding Board has previously canceled Sixty-Three Million, Seven Hundred Eighty Thousand, Sixty-Nine Dollars and Thirty-Three Cents ($63,780,069.33) of the 2006 Act ERP Bonds; none of the remaining Seventeen Million, Five Hundred Nineteen Thousand, Nine Hundred Thirty Dollars and Sixty-Seven Cents ($17,519,930.67) principal amount has been issued as 2006 Act ERP Bonds but bond anticipation notes in the form of commercial paper have been issued.

By memorandum dated August 27, 2015, the Commissioner of Finance and Administration notified the Funding Board that Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) is available for the 2006 Act ERP Bonds from funds not required for debt service and recommended that: (1) a like amount of commercial paper should be retired without the issuance of bonds and (2) a like amount of authorization be canceled.

Be It Resolved By the Funding Board of the State of Tennessee:

1. The project authorized to be financed by the 2006 Act ERP Bonds has been financed in part with commercial paper and Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) is no longer needed to fund such authorized project.

2. Four Million Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) in accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, is allocated from the Internal Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2006 Act ERP Bonds.

3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated August 27, 2015, the Funding Board cancels Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) of the principal amount authorized by the 2006 Act for the 2006 Act ERP Bonds.

4. This resolution shall be effective as of November 19, 2015, and all resolutions in conflict herewith are hereby repealed.

Adopted this 19th day of November 2015.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

RESOLUTION ALLOCATING FROM INTERNAL SERVICE FUND TO THE CAPTIAL PROJECTS FUND $4,380,000 AND CANCELING AUTHORIZED BONDS

Recitals

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 962, Public Acts of Tennessee, 2006 (the "2006 Act"), to issue and sell its general obligation bonds in an amount not to exceed Five Hundred Eighty-Six Million, Nine Hundred Thousand Dollars and no cents ($586,900,000.00), of which Eighty-One Million, Three Hundred Thousand Dollars and no cents ($81,300,000.00) is allocated pursuant to Section 4(3) of the 2006 Act to the Department of Finance and Administration, to provide funds for the acquisition and implementation of enterprise resource planning software (the "2006 Act ERP Bonds").

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Be It Resolved By the Funding Board of the State of Tennessee:

1. The project authorized to be financed by the 2006 Act ERP Bonds has been financed in part with commercial paper and Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) is no longer needed to fund such authorized project.

2. Four Million Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) in accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, is allocated from the Internal Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2006 Act ERP Bonds.

3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated August 27, 2015, the Funding Board cancels Four Million, Three Hundred Eighty Thousand Dollars and no Cents ($4,380,000.00) of the principal amount authorized by the 2006 Act for the 2006 Act ERP Bonds.

4. This resolution shall be effective as of November 23, 2015, and all resolutions in conflict herewith are hereby repealed.

Adopted this 23rd day of November 2015.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

RESOLUTION ALLOCATING FROM THE DEBT SERVICE FUND TO THE CAPITAL PROJECTS FUND $1,400,000 AND CANCELING AUTHORIZED BONDS

RECITALS

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 552, Public Acts of Tennessee, 2009 (the "2009 Act"), to issue and sell its general obligation bonds in an amount not to exceed Seven Hundred One Million, One Hundred Thousand Dollars and no Cents ($701,100,000.00) of which Two Hundred Ten Million, Nine Hundred Thousand Dollars and no Cents ($210,900,000.00) is allocated pursuant to Section 4(1) of the 2009 Act (the "2009 Act Bonds") to the Department of Finance and Administration. Twenty-Seven Million, Three Hundred Thousand Dollars and no Cents ($27,300,000.00) of the 2009 Act Bonds authorized are to provide funds for the West Tennessee Megasite Land and Right of Way (the "West TN Megasite") project.

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3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated October 12, 2015, the Funding Board hereby cancels One Million, Four Hundred Thousand Dollars and no Cents ($1,400,000.00) of the principal amount authorized by the 2009 Act for the 2009 Act Bonds.

4. This resolution shall be effective as of November 23, 2015 and all resolutions in conflict herewith are hereby repealed.

Adopted this 23rd day of November, 2015.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD