

**THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF
COLUMBIA, TENNESSEE**

FINANCIAL STATEMENTS

JUNE 30, 2020



CERTIFIED PUBLIC ACCOUNTANTS

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF COLUMBIA, TENNESSEE**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
The City of Columbia Industrial Development Board
Columbia, Tennessee

We have reviewed the accompanying financial statements of the City of Columbia Industrial Development Board (a blended component unit of the City of Columbia, Tennessee) as of and for the year ended June 30, 2020 which collectively comprise the entity's basic financial statements as listed in the table of contents, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Memphis, Tennessee
November 23, 2020

*Henderson Hutcherson
& McCullough, PLLC*

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF COLUMBIA, TENNESSEE**

STATEMENT OF NET POSITION

JUNE 30, 2020

(See Independent Accountant's Review Report)

ASSETS		
Cash and restricted cash	\$	257,066
Grant receivable		12,064
Land		<u>3,425,597</u>
 Total assets	\$	<u><u>3,694,727</u></u>
 LIABILITIES		
Accounts payable	\$	<u>7,125</u>
 Total liabilities		<u>7,125</u>
 NET POSITION		
Investment in land held for development		3,425,597
Restricted for industrial development		<u>262,005</u>
 Total net position	\$	<u><u>3,687,602</u></u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF COLUMBIA, TENNESSEE**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

(See Independent Accountant's Review Report)

REVENUE	
Grant revenue	\$ 1,568,192
Total support and other revenues	<u>1,568,192</u>
EXPENSES	
Professional fees	<u>106,654</u>
Total expenses	<u>106,654</u>
Change in net position	1,461,538
BEGINNING NET POSITION	<u>2,226,064</u>
ENDING NET POSITION	<u><u>\$ 3,687,602</u></u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF COLUMBIA, TENNESSEE**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

(See Independent Accountant's Review Report)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from grantor agencies and other sources	\$ 1,559,818
Payments for professional fees	<u>(103,743)</u>
Net cash from operating activities	1,456,075

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of land for development	<u>(3,425,597)</u>
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NET CHANGE IN CASH AND RESTRICTED CASH

	(1,969,522)
Cash and restricted cash, beginning of year	<u>2,226,588</u>
Cash and restricted cash, end of year	<u>\$ 257,066</u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED FROM OPERATING ACTIVITIES**

Change in net position	<u>\$ 1,461,538</u>
Adjustments not affecting cash:	
Increase in grant receivable	(8,374)
Increase in accounts payable	<u>2,911</u>
Total adjustments	<u>(5,463)</u>
Net cash from operating activities	<u>\$ 1,456,075</u>

RECONCILIATION OF CASH AND RESTRICTED CASH

Cash	\$ 7,125
Restricted cash	<u>249,941</u>
Total cash and restricted cash	<u>\$ 257,066</u>

THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF COLUMBIA, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(See Independent Accountant's Review Report)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Industrial Development Board of the City of Columbia, Tennessee (the "Board" or "IDB") is a public, non-profit corporation and a public instrumentality of the City of Columbia, Tennessee, organized pursuant to Tennessee Code Annotated (TCA) 7-53-101.

Established in 2014, the IDB serves all citizens of the City of Columbia, Tennessee. The Board was formed to promote industry and to develop trade by attracting manufacturing, industrial, and commercial enterprises to the City of Columbia. The IDB is governed by a board as appointed by City Council. Debt issuance authorizations are approved by IDB's Board of Directors, and the City of Columbia is legally obligated in case there are deficiencies in debt service payments and resources are not available from any other remedies.

The City of Columbia, Tennessee currently offers incentives for commercial and industrial development. Pursuant to Tennessee Code Annotated (TCA) 7-53-305, the IDB is allowed to own property within the city limits. The City of Columbia, Tennessee may delegate the authority to the IDB to negotiate and accept payments in lieu of ad valorem taxes (PILOT) from the corporation's lessees, provided that such payments are deemed to be in furtherance of the corporation's public purposes. Every PILOT has to be for business operations, which are defined as a project under TCA 7-53-101 (13). The IDB is allowed by state law to be exempt from taxation and to lease property as a method of security so that PILOT payments may be accepted by cities and counties.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. The measurement focus is upon determination of financial position, changes in net position, and changes in cash flows. The accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets and liabilities (whether current or noncurrent) associated with the Board's activities are included in the statement of net position.

These financial statements distinguish operating revenues from nonoperating items. Operating revenues include the Board's PILOT revenues and are presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits at various financial institutions, certificates of deposits and short-term investments with an original maturity of three months or less.

(Continued)

THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF COLUMBIA, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(See Independent Accountant's Review Report)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Board's financial statements utilize a net position presentation. As of June 30, 2020, the Board reported investment in land held for development and net position restricted for industrial development. The definition of each potential category of net position is as follows:

Investment in Land Held for Development – is intended to reflect the portion of net position which is associated with non-liquid leased assets less outstanding asset related debt.

Restricted Net Position – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. The Board's policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted Net Position – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, the Board has the unrestricted authority to revisit or alter these managerial decisions.

Revenue Recognition

As part of the Board's commercial and industrial incentive programs, the IDB receives PILOT revenues. PILOT revenues are recorded when due in accordance with the respective incentive agreements. The Board receives appropriations from the City of Columbia and grant revenues from various sources throughout the fiscal year. City of Columbia appropriations are recognized when received and grant revenues are recognized when all conditions of the grant have been met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Recently Adopted Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The Board has adopted these provisions in the accompanying financial statements.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF COLUMBIA, TENNESSEE**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(See Independent Accountant's Review Report)

NOTE 2 – COMMERCIAL AND INDUSTRIAL DEVELOPMENT INCENTIVE PROGRAM

This program offers real estate tax abatements for a specified period in exchange for benefits received by the City of Columbia due to an increase in real and personal property investments, as well as the creation of jobs. Application is made to the Chamber of Commerce, with approval by the IDB and City Council. To be eligible for a tax reduction, businesses must either relocate into the City or expand business within the City.

As part of the program, the private-sector business enters into a lease agreement with the IDB for its operating facility. Qualified businesses will be eligible for abatement of all or a portion of property taxes dependent on the dollar amount of the investment and the number and average wage of jobs created. There are provisions for recapturing abated taxes if certain terms of the agreement are not met.

As of June 30, 2020, the Board has entered into one agreement which commenced on August 9, 2016 and terminates on December 31, 2023. As part of the lease agreement, the business is required to remit annual PILOT payments to the IDB in accordance with the terms of the lease agreement, which is recorded in the statement of activities. For the fiscal year ending June 30, 2020, there were no expenses recorded for the lease agreement; therefore, no revenue reimbursements were contributed.

NOTE 3 – CONDUIT DEBT OBLIGATION

In accordance with lease agreements noted in the previous disclosure, the Board issues long-term debt to provide financial assistance to the private-sector entity for the acquisition, construction and renovation of industrial and commercial facilities deemed to be in the public interest. The long-term debt is secured by the property financed and is payable solely from the business' ongoing operations. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The Board currently has one (1) outstanding long-term debt issue, the original amount of which was \$3,620,000.

NOTE 4 – CONTINGENCIES AND UNCERTAINTIES

The Board is involved in certain legal negotiations and agreements arising from normal business activities. Management believes that neither the financial position nor the results of the operations will be materially affected by the final outcome of these proceedings.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF COLUMBIA, TENNESSEE**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(See Independent Accountant's Review Report)

NOTE 5 – RISKS AND UNCERTAINTIES

During the year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel, size and duration of group meetings. Many industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. If the pandemic continues, it may have an adverse impact on the Board's future operations, financial position and liquidity.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2020 through the date of the independent accountant's review report (the date the financial statements were available to be issued) for potential recognition or disclosure in the consolidated financial statements. Management has not identified any events or transactions requiring recognition or disclosure.