

**The Industrial Development Board
of Franklin County, Tennessee
Audit Report
For the Year Ended
June 30, 2008**

**The Industrial Development Board
of Franklin County, Tennessee
Audit Report
June 30, 2008**

| Table of Contents | Page |
|---|-------------|
| Introductory Section | a |
| Management's Discussion and Analysis | i-ii |
| Report of Independent Accountants | 1-2 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements | |
| Statement of Net Assets | 3 |
| Statement of Activities | 4 |
| Fund Financial Statements | |
| Balance Sheet | 5 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 6 |
| Reconciliation of the Change in Fund Balance of Governmental Funds to the Statement of Activities | 7 |
| Notes to Financial Statements | 8-12 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 13-16 |

**The Industrial Development Board
of Franklin County, Tennessee
Introductory Section
June 30, 2008**

Roster of Board Members and Management Official

Board Members

Ben Boswell, Chairman
Winchester, TN

Brenda Cannon, Vice Chairman
Winchester, TN

Carter Smith, Secretary
Winchester, TN

Prentice Wilkerson
Belvidere, TN

Jerry Lawrence
Decherd, TN

Claude Henley
Decherd, TN

Donald Langston
Winchester, TN

John Etheridge
Decherd, TN

David Etheridge
Tullahoma, TN

Management Official

John Payne, Executive Director
Winchester, TN

**FRANKLIN COUNTY INDUSTRIAL DEVELOPMENT BOARD
WINCHESTER, TN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

As management of the Franklin County Industrial Development Board (**FCIDB**), I offer readers of the FCIDB's financial statements this narrative overview and analysis of the financial activities of the FCIDB for the fiscal year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This Management Discussion and Analysis document introduces the FCIDB's basic financial statements. The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Government-Wide Financial Statements) provide information about financial activities as a whole and illustrate the longer-term view of the FCIDB's finances. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund (Fund Financial Statements) tell how these services were financed in the short term as well as what remains for future spending. Fund Financial statements also report the operations in more detail than the Government-Side Financial Statements by providing information about the most significant funds.

Our auditors have provided assurance in their independent auditor's report that the Basic Financial Statements are fairly stated. The auditors regarding the Required Supplemental Information are providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets in the amount of \$9,354.34 of the FCIDB exceeded liabilities by \$4,324.79.

The balance in unrestricted net assets is affected by two factors: 1) resources expended, over time, by the FCIDB to acquire capital assets from sources other than internally generated funds (i.e., debt), and 2) required depreciation on assets being included in the statement of net assets for the first time.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the FCIDB uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on net inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending as the end of the fiscal year.

As of June 30, 2008, the General Fund's unreserved, undesignated balance of \$2,183.53 showed an increase of \$2,086.95 over June 30, 2007.

During the year ended June 30, 2008, the FCIDB had total revenue of \$107,900.00 of which \$105,400.00 was contributions from Franklin County, Tennessee. The entity also had total monetary expenditures in the amount of \$105,619.89.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The FCIDB's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$2,141.26 (net of accumulated depreciation). The increase in capital assets for the year-end 2008 was \$1,498.21.

At the end of the fiscal year, the FCIDB had \$5,029.55 in liabilities, none of which was long-term debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the FCIDB's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

Franklin County Industrial Development Board
100 First Avenue
Winchester, TN 37398

BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

300 SOUTH JEFFERSON STREET, WINCHESTER, TN 37398

Office: 931-967-0611

Fax: 931-967-4784

www.brkepa.com

Members of American Institute of
Certified Public Accountants,
Tennessee Society of CPAs,
Association of Government Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
The Industrial Development Board of
Franklin County, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Industrial Development Board of Franklin County, Tennessee, a component unit of Franklin County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Industrial Development Board of Franklin County, Tennessee, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2008, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and important for assessing the results of our audit.

The managements' discussion and analysis on pages i through ii, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley". The signature is written in black ink and is positioned above the typed name of the firm.

Bean, Rhoton & Kelley, PLLC
August 22, 2008

**The Industrial Development Board
of Franklin County, Tennessee
Government-Wide Statement of Net Assets
June 30, 2008**

| | <u>Governmental Activities</u> | <u>Total</u> |
|---|------------------------------------|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 7,213.08 | \$ 7,213.08 |
| Capital assets | | |
| Other capital assets, net of depreciation | <u>2,141.26</u> | <u>2,141.26</u> |
| Total assets | <u><u>9,354.34</u></u> | <u><u>9,354.34</u></u> |
| LIABILITIES | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | <u>5,029.55</u> | <u>5,029.55</u> |
| Total liabilities | <u><u>5,029.55</u></u> | <u><u>5,029.55</u></u> |
| NET ASSETS | | |
| Invested in capital assets | 2,141.26 | 2,141.26 |
| Unrestricted | <u>2,183.53</u> | <u>2,183.53</u> |
| Total net assets | <u><u>\$ 4,324.79</u></u> | <u><u>\$ 4,324.79</u></u> |

Notes to the financial statements are an integral part of the financial statements.

**The Industrial Development Board
of Franklin County, Tennessee
Government-Wide Statement of Activities
Year Ended June 30, 2008**

| | <u>Total</u> | <u>Function /Program: Administration</u> |
|---------------------------|--------------------|--|
| Expenses: | | |
| Salaries | \$ 63,137.84 | \$ 63,137.84 |
| Prospect development | 10,789.34 | 10,789.34 |
| Auto expense | 3,900.00 | 3,900.00 |
| Professional fees | 2,225.00 | 2,225.00 |
| Insurance | 7,058.82 | 7,058.82 |
| Advertisement | 858.25 | 858.25 |
| Retirement | 7,468.80 | 7,468.80 |
| Depreciation | 1,498.21 | 1,498.21 |
| Travel and conferences | 3,641.83 | 3,641.83 |
| Taxes and licenses | 6,240.56 | 6,240.56 |
| Fees | 55.00 | 55.00 |
| Miscellaneous expenses | 244.45 | 244.45 |
| Total expenses | <u>107,118.10</u> | <u>107,118.10</u> |
| General revenues: | | |
| Contributions from County | 105,400.00 | |
| Others | 2,500.00 | |
| Total general revenues | <u>107,900.00</u> | |
| Change in net assets | <u>781.90</u> | |
| Net assets - beginning | 3,542.89 | |
| Net assets - ending | <u>\$ 4,324.79</u> | |

Notes to the financial statements are an integral part of the financial statements.

**The Industrial Development Board
of Franklin County, Tennessee
Balance Sheet
June 30, 2008**

| | <u>General</u> | <u>Total Governmental Funds</u> |
|---|--------------------|---|
| ASSETS | | |
| Cash and cash equivalents | \$ 7,213.08 | \$ 7,213.08 |
| Total assets | <u>\$ 7,213.08</u> | <u>\$ 7,213.08</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 300.00 | \$ 300.00 |
| Accrued vacation | \$ 2,907.84 | \$ 2,907.84 |
| Accrued payroll taxes | <u>1,821.71</u> | <u>1,821.71</u> |
| Total liabilities | <u>5,029.55</u> | <u>5,029.55</u> |
| Fund balances: | | |
| Unreserved | <u>2,183.53</u> | <u>2,183.53</u> |
| Total fund balances | <u>2,183.53</u> | <u>2,183.53</u> |
| Total liabilities and fund balances | <u>\$ 7,213.08</u> | |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds | | <u>2,141.26</u> |
| Net assets of governmental activities | | <u>\$ 4,324.79</u> |

Notes to financial statements are an integral part of the financial statements.

**The Industrial Development Board
of Franklin County, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2008**

| | <u>General</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|--------------------|---|
| REVENUES | | |
| Contributions from County | \$ 105,400.00 | \$ 105,400.00 |
| Miscellaneous income | 2,500.00 | 2,500.00 |
| Total revenues | <u>107,900.00</u> | <u>107,900.00</u> |
| EXPENDITURES | | |
| Salaries | 63,137.84 | 63,137.84 |
| Prospect development | 10,789.34 | 10,789.34 |
| Auto expense | 3,900.00 | 3,900.00 |
| Insurance | 7,058.82 | 7,058.82 |
| Advertisement | 858.25 | 858.25 |
| Retirement | 7,468.80 | 7,468.80 |
| Professional fees | 2,225.00 | 2,225.00 |
| Travel and conferences | 3,641.83 | 3,641.83 |
| Taxes and licenses | 6,240.56 | 6,240.56 |
| Fees | 55.00 | 55.00 |
| Miscellaneous expenses | 244.45 | 244.45 |
| Total expenditures | <u>105,619.89</u> | <u>105,619.89</u> |
| Excess of revenues over expenditures | <u>2,280.11</u> | <u>2,280.11</u> |
| Net change in fund balance | 2,280.11 | 2,280.11 |
| Fund balance - beginning | <u>(96.58)</u> | <u>(96.58)</u> |
| Fund balance - ending | <u>\$ 2,183.53</u> | <u>\$ 2,183.53</u> |

Notes to the financial statements are an integral part of the financial statements.

**The Industrial Development Board
of Franklin County, Tennessee
Reconciliation of the Change in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008**

Net change in fund balances - total governmental funds \$ 2,280.11

Capital outlays are reported as expenditures in governmental funds.
However, in the statement of activities, the cost of capital assets is allocated
over their estimated useful lives as depreciation expense. In the current
period, these amounts are:

Depreciation expense: (1,498.21)

Change in net assets of governmental activities \$ 781.90

**The Industrial Development Board
of Franklin County, Tennessee
Notes to Financial Statements
June 30, 2008**

1. Summary of Significant Accounting Policies -

Business Activity

The Industrial Development Board of Franklin County, Tennessee is responsible for attracting and retaining industrial commerce in Franklin County. The Board employs a full-time Director, Mr. John Payne, to facilitate these developments.

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses. Actual results could vary from the estimates that were used.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Industrial Development Board of Franklin County, Tennessee. The Board is a component unit of Franklin County, Tennessee (the primary government). Board members are appointed by the Franklin County Commission to serve for six years. The Board must obtain County Commission approval before the issuance of most debt.

The Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Basic Financial Statements-Government-Wide Statements

The Board's basic financial statements include both government-wide reporting and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental or business type. The Board's general administrative services are classified as governmental activities. There are no business-type activities.

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and the net cost of the Board's functions. The functions are also supported by general government revenues. The Statement of Activities

**The Industrial Development Board
of Franklin County, Tennessee
Notes to Financial Statements (continued)
June 30, 2008**

1. Summary of Significant Accounting Policies (continued) -

reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

The net costs (by function) are normally covered by general revenue.

The Board does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Board as an entity and the change in the Board's net assets resulting from the current year's activities.

Basic Financial Statements-Fund Financial Statements

The financial transactions of the Board are reported in individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Board:

1. Governmental Funds:

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Board:

- General fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e.,

**The Industrial Development Board
of Franklin County, Tennessee
Notes to Financial Statements (continued)
June 30, 2008**

1. Summary of Significant Accounting Policies (continued) -

both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Capital Assets

Equipment and property additions are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life.

2. Cash Deposits -

The Board is authorized to issue its bonds, and otherwise to borrow money from banks or other financial institutions by issuing its notes.

The Board's policy related to deposits and investments requires the financial institution to collateralize deposits over \$100,000 by pledging securities individually or the financial institution being a member of the State of Tennessee Bank Collateral Pool during the time period of the deposit. The Board's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the Board's custodial bank in the Board's name. The carrying amount of total cash deposits for the year ended June 30, 2008, is \$7,213.08.

3. Capital Assets -

A summary of changes in the capital assets is as follows:

| | <u>Balance July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2008</u> |
|-----------------------------------|---------------------------------|----------------------|------------------|----------------------------------|
| Equipment | <u>\$ 10,210.88</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 10,210.88</u> |
| Total | 10,210.88 | 0.00 | 0.00 | 10,210.88 |
| Less: Accumulated depreciation | <u>(6,571.41)</u> | <u>(1,498.21)</u> | <u>0.00</u> | <u>(8,069.62)</u> |
| Total | <u>\$ 3,639.47</u> | <u>\$ (1,498.21)</u> | <u>\$ 0.00</u> | <u>\$ 2,141.26</u> |

**The Industrial Development Board
of Franklin County, Tennessee
Notes to Financial Statements (continued)
June 30, 2008**

4. Pension Plan -

Plan Description

Employees of The Industrial Development Board of Franklin County, Tennessee are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as The Industrial Development Board of Franklin County, Tennessee participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

Funding Policy

The Industrial Development Board of Franklin County, Tennessee has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Industrial Development Board of Franklin County, Tennessee is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 11.95% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for The Industrial Development Board of Franklin County, Tennessee is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2008, The Industrial Development Board of Franklin County, Tennessee's annual pension cost of \$7,469 to TCRS was equal to The Industrial Development Board of Franklin County, Tennessee's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial

**The Industrial Development Board
of Franklin County, Tennessee
Notes to Financial Statements (continued)
June 30, 2008**

4. Pension Plan (continued) -

Annual Pension Cost - (continued)

assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Industrial Development Board of Franklin County, Tennessee’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost(APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|---|--|---------------------------------------|
| June 30, 2008 | \$7,468.80 | 100.00% | \$0.00 |
| June 30, 2007 | \$7,130.17 | 100.00% | \$0.00 |
| June 30, 2006 | \$5,610.77 | 100.00% | \$0.00 |

5. Contingency -

The Board receives a substantial amount of its support from local governments. A significant reduction in the level of such support, if this were to occur, may have an effect on the Board's programs and activities.

6. Budget -

The Board does not operate under a mandated budget. A request is submitted to the County Commission for funds based on certain appropriations. The funds are then remitted to the Board by the Commission on a monthly basis.

7. Exposure -

The Board is included under the County coverage for the risks of losses to which it is exposed. These risks include general liability and property and casualty. Settlement claims have not exceeded coverage in the past three years, and there are currently no lawsuits.

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

To the Board of Directors
The Industrial Development Board of
Franklin County, Tennessee

We have audited the financial statements of the governmental activities and major fund of the Industrial Development Board of Franklin County, Tennessee, a component unit of Franklin County, as of and for the year ended June 30, 2008, which collectively comprise the Industrial Development Board of Franklin County, Tennessee's basic financial statements and have issued our report thereon dated August 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Industrial Development Board of Franklin County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of Franklin County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of Franklin County, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Industrial Development Board of Franklin County, Tennessee's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Industrial Development Board of Franklin County, Tennessee's financial statements that is more than inconsequential will not be prevented or detected by the Industrial Development Board of Franklin County, Tennessee's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Disposition Prior Year's Significant Deficiencies:

1. Significant Deficiency:

In our review of the overall accounting controls of the Board's accounting system, we found several areas where proper segregation of duties might be obtained. - This problem still exists.

Recommendation:

Because of the number of office staff working for the Board, we do not believe a complete segregation of duties is possible that would eliminate all weaknesses in the Board's accounting system. However, a thorough study of the internal control aspect of the accounting system should be considered by the Board. Certain additional procedures and segregation of proper duties could increase the control over the assets.

Board's Comment:

Because we have only two people in the board office, segregation of duties is a rough task. However, as time permits we hope to add additional controls over the accounting system in the future.

2. Significant Deficiency:

There was a lack of documentation for some expenditures. - This problem still exists.

Recommendation:

We suggest that invoices, receiving reports (signed), and other documents should be obtained for all purchases. They should be attached together and filed in such a way that they can be easily found for future reference and audit. Each invoice should be stamped, perforated, or otherwise marked as paid when each check is written. Disbursements should be approved by the appropriate person. All checks should have dual signatures.

Board's Comment:

We will try to improve our filing methods next year and maintain documentation for all expenditures.

3. Significant Deficiency:

Bank statements are not always being reconciled every month. – This problem no longer exists.

4. Significant Deficiency:

During our review of disbursements, we found instances where there was only one signature on the checks. – This problem no longer exists.

5. Significant Deficiency:

During our review of disbursements, we found where purchase orders were not being filled out completely and/or correctly. They were also not always used. – This problem still exists.

Recommendation:

All purchase orders should be filled out and approved prior to the purchase of any goods. The purchase order should be dated, an approximate amount of the purchase written in, and then approved by the appropriate person. Invoices, purchases orders, and other documents should be obtained for all purchases over the designated amount set by the Board.

Board's Comment:

We will look into this problem and correct in the coming year.

6. Significant Deficiency:

In our review of the overall payroll, we found that timesheets are not being kept and accrued vacation records are not monitored on a regular basis. – This problem no longer exists.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Industrial Development Board of Franklin County, Tennessee's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Board of Franklin County, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Disposition Prior Year's Audit Findings:

1. Finding:

During the course of the audit, it was noted that sales tax was being paid on some invoices. – This problem still exists.

Recommendation:

Vendors should be notified of the Board's exempt status relative to sales and use tax. The Board should also not reimburse employees for sales tax paid.

Board's Comment:

We will correct this problem.

2. Finding:

Support documentation was not found for contributions made to non-profit entities. – This problem no longer exists.

3. Finding:

There is a fund deficit in the General Fund. – This problem no longer exists.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley". The signature is written in black ink and is positioned above the typed name of the firm.

Bean, Rhoton & Kelley, PLLC
August 22, 2008