THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE

AUDIT REPORT

June 30, 2009 and 2008

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Table of Contents

	Page
Independent Auditor's Report	3 - 4
Basic Financial Statements:	
Statement of Net Assets	5 - 6
Statement of Activities	7 - 8
Balance Sheet - Governmental Funds	9 – 10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund Types	11 - 12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in fund Balance of Governmental Funds to the Statement of Activities	13-14
Notes to Financial Statements	15
Supplementary Information:	20
Schedule of Directors	21
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	22 - 23
Schedule of Findings and Questioned Costs	24 - 25

CRAINE, THOMPSON, & JONES, P.C.

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INDEPENDENT AUDITOR'S REPORT

The Industrial Development Board of the Counties of
Cumberland, Morgan and Roane, Tennessee
Board of Directors

We have audited the accompanying financial statements of the governmental activities and the major fund of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee for the years ended June 30, 2009 and June 30 2008, as listed in the table of contents. These financial statements are the responsibility of the Industrial Development 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 used by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the governmental activities and the major fund present fairly, in all material respects, the financial position of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of June 30, 2009 and June 30 2008, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined necessary to supplement, although not required to be a part of the basic financial statements.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 22, 2010, on our consideration of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JAMES W. CRAINE, CPA
GLENN B. THOMPSON, CPA, CFP, PFS
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA
HIRAM H. JONES, CPA

Board of Directors

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee basic financial statements. The required supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caine, Thompson + Jones P. C.

Morristown, Tennessee
September 13, 2010

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Statement of Net Assets
June 30, 2009

		Governmental Activities
Assets		
Current Assets		
Cash and Cash Equivalents	$	45,858
Capital Assets		
Land	$	4,645,100
Land Improvements		550,280
Bond Issuance Costs		164,956
Accumulated Amortization - Bond Issuance Costs		(18,042)
Total assets	$	5,388,152
Liabilities and Fund Balances		
Current Liabilities		
Accounts Payable	$	36,688
Long Term Liabilities		
Long Term Debt	$	5,250,000
Due to County Governments		70,000
Total liabilities	$	5,356,688
Net Assets		
Invested in Capital Assets net of Related Debt		22,294
Unrestricted		9,170
Total net assets	$	31,464

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

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Statement of Net Assets
June 30, 2008

		Activities
Assets		
Current Assets		
Cash and Cash Equivalents	$	194,593
Capital Assets		
Land	$	4,645,100
Land Improvements		343,949
Bond Issuance Costs		164,956
Accumulated Amortization - Bond Issuance Costs		(7,732)
Total assets	$	5,340,866
Liabilities and Fund Balances		
Current Liabilities		
Accounts Payable	$	37,572
Long Term Liabilities		
Long Term Debt	$	5,250,000
Total liabilities	$	5,287,572
Net Assets		
Invested in capital assets net of related debt		(103,727)
Unrestricted Fund Balance		157,021
Total net assets	$	53,294

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

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Statement of Activities
For the Year Ended June 30, 2009

	Expenses	Revenues	Net (Expense) Revenue
Function/Programs:			
Governmental activities:			
General Government	$ 24,083	$ -	$ (24,083)
Total governmental activities	$ 24,083	$ -	$ (24,083)
General Revenues:			
Interest Income			$ 2,253
Total General Revenues			2,253
Change in net assets			(21,830)
Net assets - beginning			53,294
Net assets - ending			$ 31,464

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

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Statement of Activities
For the Year Ended June 30, 2008

Function/Programs:			
Governmental activities:			
General Government	$ 16,735	$ -	$ (16,735)
Total governmental activities	$ 16,735	$ -	$ (16,735)

Interest income	$ 58,189
Net Increase in the fair value of investments	11,840
Total General Revenues	70,029
Change in net assets	53,294
Net assets - beginning	-
Net assets - ending	$ 53,294

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

The Industrial Development Board of the Counties of
Cumberland, Morgan and Roane, Tennessee
Balance Sheet
Governmental Funds
June 30, 2009

		General
Assets		
Current Assets		
Cash and Cash Equivalents	$	45,858
Total assets	$	45,858
Liabilities and Fund Balances		
Current Liabilities		
Accounts Payable	$	36,688
Total liabilities	$	36,688
Fund Balance		
Unreserved		9,170
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, are not reported in the funds.		5,342,294
Long term Liabilities including bonds payable are not due and payable in the current period and therefore are not in the funds.		(5,320,000)
Net assets of governmental activities	$	31,464

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

The Industrial Development Board of the Counties of
Cumberland, Morgan and Roane, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

		General
Assets		
Current Assets		
Cash and Cash Equivalents	$	194,593
Total assets	$	194,593
Liabilities and Fund Balances		
Current Liabilities		
Accounts Payable	$	37,572
Total liabilities	$	37,572
Fund Balance		
Unreserved		157,021
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, are not reported in the funds.		5,146,273
Long term Liabilities including bonds payable are not due and payable in the current period and therefore are not in the funds.		(5,250,000)
Net assets of governmental activities	$	53,294

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

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Statement of Revenues, Expenses, and Changes In Fund Balance
For the Year Ended June 30, 2009

Revenues:	
Interest Income	$ 2,253
Total Revenues	$ 2,253
Expenditures	
Legal & Professional Fees	1,382
Advertising	10,000
Office Expense	1,141
Online Software	1,250
Capital Purchases	206,331
Total Expenditures	220,104
Excess Revenues Over/ (Under) expenditures	(217,851)
Other Financing Sources	
Proceeds from Notes Payable to Counties	70,000
Net Change in Fund Balance	(147,851)
Fund balance - beginning	157,021
Fund balance - ending	$ 9,170

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

The Industrial Development Board of the Counties of
Cumberland, Morgan and Roane, Tennessee
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balance of Governmental funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balance-governmental funds	$	(147,851)
Capital outlays 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 amortization expense. In the current period, these amounts are;		
Capital Purchases		206,331
Amortization expense		(10,310)
Proceeds of notes payable treated as income on the government income statement		(70,000)
Change in net assets of governmental activities	$	(21,830)

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

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Statement of Revenues, Expenses, and Changes In Fund Balance
For the Year Ended June 30, 2008

Interest Income	$ 58,189
Net Increase in the fair value of investments	11,840
Total Revenues	$ 70,029
Expenditures	
Legal & Professional Fees	6,953
Advertising	-
Office Expense	2,050
Capital Purchases	4,989,049
Bond Issuance Costs	164,956
Total Expenditures	5,163,008
Excess Revenues Over/ (Under) expenditures	(5,092,979)
Proceeds from issuance of debt	5,250,000
Net Change in Fund Balance	157,021
Fund balance - beginning	-
Fund balance - ending	$ 157,021

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

The Industrial Development Board of the Counties of
Cumberland, Morgan and Roane, Tennessee
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balance of Governmental funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance-governmental funds	$ 157,021
Capital outlays 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 amortization expense. In the current period, these amounts are;	
Acquisition of capital assets that meet criteria for capitalization Amortization expense	5,154,005
Amortization of Bond Issuance Costs	(7,732)
Proceeds of notes payable treated as income on the governmental income statement	(5,250,000)
Change in net assets of governmental activities	$ 53,294

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee, (The Industrial Board) is a special purpose entity serving Cumberland, Morgan, and Roane Counties. The members of the Board are appointed by the governing bodies of the respective counties. The purpose of the Board is to promote industry and develop trade for Cumberland, Morgan, and Roane Counties.

The financial statements of The Industrial Board have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below:

Government-Wide Statements
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 government-wide Statement of Activities reports both the gross and the net cost of the Board's programs. The functions are also supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

The Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

> Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.
>
> Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted: or "invested in capital assets, net of related debt"

Fund Financial Statements
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 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 financial transactions of The Industrial Board are reported in the individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The Industrial Board reports the following fund:

General Fund – This fund is used as 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.

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 or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash equivalents include all short-term highly liquid investments with maturities of three months or less.

Accounts Receivable
In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants, assessments, and contractual reimbursements.

In the fund financial statements, material receivables include revenue accruals such as grants and other intergovernmental revenues since they are usually both measurable and available.

Property and Equipment
Property and equipment is recorded at cost and depreciated over the estimated useful lives of the individual assets ranging from 5 to 40 years. Depreciation is computed using the straight-line method for financial reporting purposes. The cost of maintenance and repairs are expensed as incurred.

Intangible Assets
Bond Issuance Cost is amortized on a straight-line basis over terms of the related debt.

Advertising
Advertising costs are expensed as incurred.

Income Taxes
No provision or liability for income taxes has been recorded because The Industrial Board is exempt from federal and state income tax.

Budget
The Board's by-laws do not require an annual budget. No budget was prepared for the year ending June 30, 2009

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

and, therefore, no budgetary comparisons are presented.

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Industrial Board is authorized to deposit its funds in banks, trust companies, or other depositories as the Board may select. The Board's bank deposits, including cash and cash equivalents totaled $45,858 and $194,593 at June 30, 2009 and June 30, 2008 respectively and were insured by FDIC or collateralized under the state bank collateral pool.

NOTE 3 – LAND AND LAND IMPROVEMENTS

In January 2008, The Industrial Board purchased 2 tracts of land and subsequent land improvements for the development of an industrial park known as Plateau Partnership Park. The Industrial Board plans to negotiate the terms for the use of the property with applicable private-sector companies. The land values are recorded at cost in the statement of Net Assets.

Capital Asset Activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated:				
Land	$ 4,645,100	$ -	$ -	$ 4,645,100
Land Improvements	343,949	206,331	-	550,280
Total Capital Assets not being Depreciated, net	$ 4,989,049	$ 206,331	$ -	$ 5,195,380

Capital Assets

Capital Asset Activity for the year ended June 30, 2008 is as follows:

	Balance	Increases	Decreases	Balance
Capital Assets not being depreciated:				
Land	$ -	$ 4,645,100	$ -	$ 4,645,100
Land Improvements	-	343,949	-	343,949
Total Capital Assets not being Depreciated, net	$ -	$ 4,989,049	$ -	$ 4,989,049

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

NOTE 4 – INTANGIBLE ASSETS

Amortization expense amounted to $10,310 for the year ended June 30, 2009.

NOTE 5 – LONG TERM DEBT

The Counties of Cumberland, Morgan, and Roane issued debt through the Blount County Public Building Authority in the amount of $5,250,000, and subsequently loaned the entire proceeds to the Industrial Board. The monies were used for the acquisition and development of major capital facilities. A formal loan agreement requires the Industrial Board to repay the proceeds interest free upon the sale of tracts of land.

Annual debt service requirements to maturity for the note are as follows:

Year Ending June 30	Principal
2008	-
2009	-

No payments are required due to no land sales as of 6/30/2010

Changes in long-term debt:

Long-Term debt liability activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Note Payable	$ 5,250,000	$ -	$ -	$ 5,250,000
Due to County Governments	-	70,000		70,000

Long-Term debt liability activity for the year ended June 30, 2008 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Note Payable	$ 5,250,000	$ -	$ -	$ 5,250,000

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

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Board receives its funding from Cumberland, Morgan and Roane Counties. A significant reduction in the level of such support, if this were to occur, would have an effect on the Board's programs and activities.

Management is not aware of any deficiencies or noncompliance issues that, upon ultimate resolution, would have a material adverse impact on the financial statements of the industrial board.

NOTE 7 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omission; natural disasters; and injuries of employees for which the Board carries commercial insurance purchased from independent third parties. The Board has not experienced an insurance settlement in excess of the insurance coverage in any of the past two fiscal years.

NOTE 8 – SUBSEQUENT EVENTS

On June 15, 2010, The Counties of Cumberland, Morgan, and Roane issued additional debt through the Blount County Public Building Authority in the amount of $2,250,000, and subsequently loaned the proceeds to the Industrial Board. The monies will be used for ongoing operations and to repay the amounts due to county governments as described in Note 5. A formal loan agreement requires the Industrial Board to repay the proceeds interest free upon the sale of tracts of land.

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

SUPPLEMENTARY INFORMATION

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Schedule of Directors and Officials (Unaudited)
June 30, 2007

Board of Directors

Board Officers

Chairman:	V. J. Dodson
Vice-Chairman:	John Davis
Secretary:	Bowden R. Ladd

Members

Dana Carter
Randy Graham
Tim Johnson
Louis Newberry
Danice Turpin
Daryl Meadows

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

CRAINE, THOMPSON, & JONES, P.C.

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

Board of Directors
The Industrial Development Board of the Counties of
Cumberland, Morgan and Roane, Tennessee

We have audited the financial statements of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee, for the years ended June 30, 2009 and 2008, which comprise The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee financial statements and have issued our report thereon dated June 22, 2010. 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 the Counties of Cumberland, Morgan and Roane Tennessee internal control over financial reporting in order to determine 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board'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 of material weaknesses.

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 affect the Board'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 are remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

Board of Directors

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 Board'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board's internal control over financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item number 2009-1 & 2, and 2008-1 & 2.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caine, Thompson & Jones P. C.

Morristown, Tennessee
September 13, 2010

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Schedule of Findings and Questioned Costs
Years Ended June 30, 2009

Audit Findings

Finding 2009-1 Budget Preparation and Approval

Management did not prepare and approve an annual budget.

Recommendation:

While we realize the Board engages in minimal transactions throughout the year, the Board should adopt a budget outlining its projected revenues and expenditures and present the budget to the board each year. Any required amendment to the budget should be approved by the Board and subsequently amended.

Managements Response:

The Board's by-laws do not require an annual budget. The Board's strategy is to be in a position to react to opportunities that will result in obtaining industries in the Plateau Partnership Park. Currently, it is difficult to plan expenditures. After the industrial park is developed, planning expenditures will be more easily accomplished.

Finding 2009-2 Preparation of Financial Statements

The preparation of financial statements in accordance with the accounting principles generally accepted in the United States of America is a significant function of the Board's internal control system. For the year ended June 30, 2009 the Board did not employ a qualified accountant to prepare the financial statements and, accordingly, such financial statements have been prepared by the auditor. The Board's auditor cannot be a part of the internal control over financial reporting, and financial statements preparation by the auditor does not compensate for this matter.

Recommendation:

The Board should consider outsourcing the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Managements Response:

The board agrees that outside preparation of the financial statements will result with the board being in compliance with Governmental Accounting Standards.

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Schedule of Findings and Questioned Costs
Years Ended June 30, 2008

Audit Findings

Finding 2008-1 Budget Preparation and Approval

Management did not prepare and approve an annual budget.

Recommendation:

While we realize the Board engages in minimal transactions throughout the year, the Board should adopt a budget outlining its projected revenues and expenditures and present the budget to the board each year. Any required amendment to the budget should be approved by the Board and subsequently amended.

Managements Response:

The Board's by-laws do not require an annual budget. The Board's strategy is to be in a position to react to opportunities that will result in obtaining industries in the Plateau Partnership Park. Currently, it is difficult to plan expenditures. After the industrial park is developed, planning expenditures will be more easily accomplished.

Finding 2008-2 Preparation of Financial Statements

The preparation of financial statements in accordance with the accounting principles generally accepted in the United States of America is a significant function of the Board's internal control system. For the year ended June 30, 2008 the Board did not employ a qualified accountant to prepare the financial statements and, accordingly, such financial statements have been prepared by the auditor. The Board's auditor cannot be a part of the internal control over financial reporting, and financial statements preparation by the auditor does not compensate for this matter.

Recommendation:

The Board should consider outsourcing the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Managements Response:

The board agrees that outside preparation of the financial statements will result with the board being in compliance with Governmental Accounting Standards.