

THE INDUSTRIAL DEVELOPMENT BOARD
OF HUMPHREYS COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

THE INDUSTRIAL DEVELOPMENT BOARD
OF HUMPHREYS COUNTY, TENNESSEE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2009

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INTRODUCTORY SECTION

THE INDUSTRIAL DEVELOPMENT BOARD OF
HUMPHREYS COUNTY

ROSTER OF OFFICIALS

JUNE 30, 2009

Officials	Position
James E. Dacus	Chairman
John Lee Williams	General Counsel and Secretary
Francis E. Tarp	Board Member
Camilla P. Moore	Board Member
Diana R. Mullinicks	Board Member
Stephen R. May	Board Member
Gary M. Mealer	Board Member
Robert W. Dodd	Board Member

FINANCIAL SECTION

DURHAM NUNNERY BROOKS & POYNER PC
CERTIFIED PUBLIC ACCOUNTANTS
1040 WEST MAIN STREET • P.O. BOX 444
WAVERLY, TENNESSEE 37185
PHONE 931-296-3107 • FAX 931-296-1658

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Industrial Development Board
Of Humphreys County
Waverly, Tennessee

We have audited the accompanying financial statements of the governmental activities and each governmental major fund of the Industrial Development Board of the County of Humphreys (a related entity of Humphreys County, Tennessee) as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Industrial Development Board of Humphreys County. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each governmental major fund of the Industrial Development Board of Humphreys County as of June 30, 2009, and the respective changes in financial position thereof 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 a report dated December 23, 2009, on our consideration of the Industrial Development Board of Humphreys County's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, if applicable. 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 should be considered in assessing the results of our audit.

The Industrial Development Board of Humphreys County has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Board also has not presented budgetary comparison information. Budgetary comparison information 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed under the introductory section in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Industrial Development Board of Humphreys County. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Durham, Nunnery, Brooks & Poyner, P.C.

Durham, Nunnery, Brooks & Poyner, P.C.
Certified Public Accountings
December 23, 2009

THE INDUSTRIAL DEVELOPMENT BOARD OF
HUMPHREYS COUNTY, TENNESSEE
GOVERNMENTAL ACTIVITIES - GENERAL FUND (ONLY FUND)
BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2009

<u>ASSETS</u>	<u>Balance Sheet</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
Current Assets			
Cash and Cash Equivalents	\$ 146,492.82	\$ -	\$ 146,492.82
Interest Receivable	-	3,022.60	3,022.60
Total Current Assets	146,492.82	3,022.60	149,515.42
Capital Assets			
Land	-	100,000.00	100,000.00
Total Capital Assets	-	100,000.00	100,000.00
TOTAL ASSETS	<u>\$ 146,492.82</u>	<u>\$ 103,022.60</u>	<u>\$ 249,515.42</u>
 <u>LIABILITIES AND FUND BALANCES/NET ASSETS</u>			
Current Liabilities			
Deferred Revenue	\$ -	\$ 9,337.04	\$ 9,337.04
Total Current Liabilities	-	9,337.04	9,337.04
Fund Balances			
Unreserved - Undesignated	146,492.82	(146,492.82)	-
Total Fund Balances	146,492.82	(146,492.82)	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 146,492.82</u>		9,337.04
Net Assets			
Invested in Capital Assets		100,000.00	100,000.00
Unrestricted		140,178.38	140,178.38
Total Net Assets		<u>\$ 240,178.38</u>	<u>240,178.38</u>
TOTAL LIABILITIES AND NET ASSETS			<u>\$ 249,515.42</u>

THE INDUSTRIAL DEVELOPMENT BOARD OF
HUMPHREYS COUNTY, TENNESSEE
GOVERNMENTAL ACTIVITIES - GENERAL FUND (ONLY FUND)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Statement of Revenues, Expenditures & Change in Fund Balance	Adjustments (Note 2)	Statement of Activities
<u>REVENUES</u>			
Investment Earnings - interest	\$ 11.47	\$ 3,022.60	\$ 3,034.07
Rent	5,000.00	-	5,000.00
	<hr/>	<hr/>	<hr/>
Total Revenues	5,011.47	3,022.60	8,034.07
<u>EXPENDITURES</u>			
<u>Administration</u>			
Legal & Professional Fees	8,245.77	-	8,245.77
Licenses & Permits	189.84	-	189.84
Office Supplies	54.88	-	54.88
	<hr/>	<hr/>	<hr/>
Total Expenditures	8,490.49	-	8,490.49
Excess of Revenues Over Expenditures	(3,479.02)	3,022.60	(456.42)
<u>OTHER FINANCIAL SOURCES</u>			
Proceeds/gain on Sale of Land	122,450.00	(122,450.00)	-
Proceeds/gain on Sale of Option	10,004.00	(9,337.04)	666.96
	<hr/>	<hr/>	<hr/>
Total Other Financial Sources	132,454.00	(131,787.04)	666.96
Net Change in Fund Balance/Net Assets	128,974.98	(128,764.44)	210.54
Fund Balance/Net Assets - Beginning	17,517.84	222,450.00	239,967.84
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Assets - Ending	\$ 146,492.82	\$ 93,685.56	\$ 240,178.38
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

THE INDUSTRIAL DEVELOPMENT BOARD
OF HUMPHREYS COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Industrial Development Board of Humphreys County, Tennessee are described below to enhance the usefulness of the financial statements.

Organization

The Industrial Development Board of Humphreys County, Tennessee (hereinafter referred to as the Humphreys County Industrial Board or Board) was formed as an operating agency and instrumentality of the Humphreys County Government for the purpose of acquiring and developing land for industrial development in Humphreys County, Tennessee.

Financial Reporting Entity

In evaluating how to define the Humphreys County Industrial Board, for financial reporting purposes, management has considered the criteria set forth in the *Governmental Accounting Standards Board (GASB), Statement No. 14, The Financial Reporting Entity*. The elements of the financial reporting entity are the primary government and, under certain circumstances, a component unit. In general, a primary government has a separately elected governing body, is legally separate and is fiscally independent. The basic criterion for including a potential component unit within the reporting entity is whether the primary government is financially accountable for the component unit.

The primary government is financially accountable if it appoints a voting majority of a component unit's governing body and either: 1) has the ability to impose its will on the component unit or 2) there is the potential for the component unit to provide financial benefits or impose financial burdens on the primary government.

Based on these criteria, there are no component units of the Humphreys County Industrial Board. Additionally, the Humphreys County Industrial Board is a related organization of Humphreys County, but is not a component unit of Humphreys County. Humphreys County appoints a majority of the governing body, but the county's accountability for the organization does not extend beyond making the appointments.

Measurement Focus/Basis of Accounting

The accounting and reporting policies of the Board conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards Board (GASB)*. The financial statements are prepared on the basis of GASB Statement Number 34, *Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments* and related standards. This standard mandates government-wide (component unit-wide) financial statements of net assets and activities, which are presented on the "economic resource" measurement focus and accrual basis of accounting. It also requires, if applicable, that certain fixed assets be recorded at cost less accumulated depreciation.

The Board is also required to present fund financial statements for all of the funds relevant to the operations of the Board. The measurement focus and basis of accounting used for the fund financial statements is determined by the fund type.

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of its assets, liabilities, fund balance, revenues and expenditures. The fund types used by the Board are described as follows:

- General Fund – The General Fund is classified as a Governmental Fund Type and uses the current financial resources measurement focus and the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred. If applicable, general capital asset acquisitions are reported as expenditures and proceeds of debt instruments are reported as other financing sources.

The General Fund is the only fund currently utilized by the Board.

Capitalized Interest

The Board capitalizes interest expense incurred during periods of construction. There was no construction and, consequently, no interest expense was capitalized during the year ended June 30, 2009.

Income Taxes

Because the Board is considered a government unit, it is not subject to income taxes and no amount for taxes has been recorded in the accompanying statements.

Land

Humphreys County on occasion purchases land from the public either for the use of the government or to further enhance development and economic growth for the benefit of the citizens of the County. Normally, if the land is going to be utilized for development and economic growth, the property is subsequently deeded (a nonmonetary transaction) to the Industrial Development Board, who then negotiates the terms for the use of the property with applicable private-sector companies. The land values recorded in the Statement of Net Assets of the Industrial Development Board are stated at market value at the time of transfer.

NOTE 2 – RECONCILIATION ADJUSTMENTS FOR FINANCIAL STATEMENTS

As disclosed in Note 1, the Board is required to report entity-wide financial statements (the Statement of Net Assets and the Statement of Activities) on the economic resources measurement focus and the full accrual basis of accounting, while also presenting financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Change in Fund Balance) for its only fund (the General Fund) on the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, adjustments, if applicable, for items such as capital assets, depreciation, certain receivables and payables, etc., are required to convert the financial statements from the one requirement presentation and method of accounting to another.

NOTE 3 – DEPOSITS AND CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party. 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. Further, state statutes require that the collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Board. Deposits of the Board at June 30, 2009 are entirely insured by FDIC insurance coverage.

NOTE 4 – RISK MANAGEMENT

Humphreys County carries commercial insurance for risks of loss from general liability, property and casualty, which also covers the Humphreys County Industrial Board.

NOTE 5 – NOTE PAYABLES/DEFERRED REVENUE

There were no note payables existing at June 30, 2009. A liability in the amount of \$9,337.04 for deferred revenue existed as a result of an unexpired option contract. On October 24, 2008 the Board received a payment of \$10,004 from Matheson Tri-Gas, Inc. in return for the grant of a 10-year option for the first right of refusal to purchase a tract of land. In accordance with the accrual basis of accounting, the financial statements have been adjusted to reflect the unearned revenue in the amount of \$9,337.04 for the 112 months of the option remaining at June 30, 2009.

NOTE 6 – PROPERTY AND EQUIPMENT

Changes in property and equipment for the period ended June 30, 2009 were:

<u>Category</u>	<u>Balance 7/1/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/09</u>
Land	<u>\$222,450</u>	<u>\$ -0-</u>	<u>\$122,450</u>	<u>\$100,000</u>
Total	<u>\$222,450</u>	<u>\$ -0-</u>	<u>\$122,450</u>	<u>\$100,000</u>

Summary of Accumulated Depreciation

The Board currently does not own any capital assets that are required to be depreciated.

NOTE 7 – SUBSEQUENT EVENTS

There were no subsequent events that require disclosure.

INTERNAL CONTROL AND COMPLIANCE SECTION

DURHAM NUNNERY BROOKS & POYNER PC
CERTIFIED PUBLIC ACCOUNTANTS
1040 WEST MAIN STREET • P.O. BOX 444
WAVERLY, TENNESSEE 37185
PHONE 931-296-3107 • FAX 931-296-1658

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
Industrial Development Board of
Humphreys County
Waverly, Tennessee

We have audited the financial statements of the governmental activities and each governmental major fund of the Industrial Development Board of the County of Humphreys (Board) (a related entity of Humphreys County, Tennessee) as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 23, 2009. 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 Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting.

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 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 a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be presented or detected by the Board's internal control. We consider the deficiency described in the accompanying schedule of findings and recommendations, identified as finding 2009-2, to be a significant deficiency in internal control over financial reporting.

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 their internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 the Board'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and recommendations as item 2009-1.

This report is intended solely for the information and use of the Board of Directors, Humphreys County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Durham, Nunnery, Brooks & Poyner, P.C.

Durham, Nunnery, Brooks & Poyner, P.C.
Certified Public Accountants
December 23, 2009

THE INDUSTRIAL DEVELOPMENT BOARD
OF HUMPHREYS COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009

The findings and recommendations as a result of the audit of the Industrial Development Board of Humphreys County, along with summaries of management's responses, are presented below:

FINDING 2009-1: Budget Preparation and Approval
(Noncompliance under *Government Auditing Standards*)

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 County Executive on or before April 1 of each year. Any required amendments to the budget should be approved by the Board and filed with the County Executive.

Management's Response:

General Counsel to the Board will recommend that an annual plan of anticipated revenues and routine expenditures be considered and adopted as an annual budget. Counsel does not believe that any proposed budget, by law, needs to be submitted to the County Mayor, as the revenues and expenditures are not a part of the County General Government budget and no public funds are sought from or appropriated by the Board of County Commissioners. However, Counsel will recommend to the Board that any budget adopted be furnished to the County Executive in a timely fashion.

THE INDUSTRIAL DEVELOPMENT BOARD
OF HUMPHREYS COUNTY (cont)

FINDING 2009-2: Lack of Segregation of Duties
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

Duties were not segregated adequately among the officials of the Board. Officials responsible for maintaining the accounting records were also involved in receipting, depositing, disbursing, and/or reconciling bank statements. We realize that due to limited resources and availability of personnel, management may not be able to properly segregate duties among officials. However, our professional standards require that we bring this matter to the reader's attention.

Recommendation:

Officials should segregate duties to the extent possible using available resources.

Management's Response:

All Board members are volunteers, and the Board has no full-time staff. The Board, therefore, has historically depended on its General Counsel to serve as Secretary and Treasurer. Counsel has attempted to segregate handling of the financial affairs to the extent practical by obtaining the assistance of Counsel's full-time bookkeeper in depositing and accounting for receipts, and in writing checks for expenditures. Counsel also sought out and procured external independent audit to help ensure transparency of financial data and performance.

Counsel will discuss this finding in detail with the Board of Directors and the merits of the auditor's concerns and the applicable *Government Auditing Standards*.